Austria	Sch 20	Indonesia	Rp 3100	Philippines	Pes 20
Bahrain	Din 0.650	Israel	IS 3.50	Portugal	Esc 100
Belgium	BFr 45	Italy	L 1500	S Arabia	Rls 6.00
Canada	C$1.00	Japan	Y550	Singapore	S$ 4.10
Cyprus	C£0.75	Jordan	Fils 500	Spain	Pta 125
Denmark	DKr 8.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.00	Lebanon	L£ 25.00	Sweden	SKr 7.00
Finland	Fmk 6.50	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	FFr 8.50	Malaysia	Rin 4.25	Taiwan	NT$ 65
Germany	DM 2.20	Mexico	Pes 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
India	Rup 15	Norway	NKr 7.00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,072 Friday October 31 1986 D 8523 B

Making Istanbul a more modern city, Page 2

World news

Alfonsin warns on fishing zone

Argentina warned Britain that its decision to establish a 150-mile fishing zone around the Falkland Islands would be the cause of serious conflicts.

President Raul Alfonsin, the Argentine Cabinet and heads of the armed forces held an emergency meeting after the announcement on Wednesday and afterwards described the British move as "politically and judicially unacceptable."

Argentina recently signed fisheries agreements with the Soviet Union and Bulgaria, and these were cited by Britain as one of the reasons prompting its move. Page 20

UK-Syria relations

Britain and Syria agreed to establish interests sections in Damascus and Syria following the breaking off of diplomatic relations. Lebanon would act for Syria in London and Australia for the UK in Damascus.

MNR claims towns

Mozambican right-wing rebels said they had seized three north-eastern towns and killed almost 400 government and Tanzanian troops in attacks in the past few weeks.

Second Berlin blast

A bomb exploded in a car near the US air force base in West Berlin in what appeared to be the second guerrilla attack in the city this week.

Swedish pay deal

Unions representing 1.5m Swedish public-sector workers accepted a pay offer and agreed to return to work at the end of a month-long nationwide strike. Page 2

US 'sliding' on arms

The Soviet daily Pravda said the US approach to renewed disarmament talks in Geneva showed Washington was seeking to slide out of accords reached at the Reykjavik summit.

Envoys quit Beirut

Three US diplomats have left Beirut as a temporary security precaution after Washington withdrew its ambassador from Damascus over alleged Syrian links with terrorism, Lebanese sources said.

Big cocaine haul

US drug agents said they had made the largest cocaine seizure in the country's history, a shipment of 4,620 lb worth about $500m.

Waldheim denial

Fresh allegations yesterday that President Kurt Waldheim of Austria was implicated in wartime Nazi atrocities in Yugoslavia were rejected by a spokesman in Vienna as "nonsense" and "untrue." Page 3

Machel post-mortem

An autopsy showed Mozambican President Samora Machel died instantaneously when his aircraft crashed on South African territory, Pretoria said, denying reports that Machel was alive four hours after the crash.

Eta toll rises

The Spanish separatist group Eta said that it killed a policeman in Bilbao earlier this week, raising to 39 this year the death toll in its guerrilla war for Basque independence.

Seoul students siege

About 5,000 South Korean riot police were withdrawn from a Seoul university after failing to win the surrender of hundreds of student radicals besieged for more than two days in campus buildings.

Etna lava flow

Red-hot lava poured from fissures on the slopes of Mount Etna, Europe's highest volcano, following three earth tremors.

Business summary

Ferruzzi to raise $408m in bid move

FERRUZZI, Italian food and agricultural group, plans to raise $408m to provide funds for a possible bid by its Agricola offshoot for British Sugar. Page 20

WALL STREET: The Dow Jones industrial average closed up 26.57 at 1,878.37. Page 44

LONDON: Equities were boosted by heavy trading in oils and the FT Ordinary index rose 11.9 to 1,279.1. Gilts shed early gains. Page 44

TOKYO: Prices rose sharply and the Nikkei average gained 505.57 to 17,010 – a record one-day rise. Page 44

DOLLAR closed in New York at DM 2.0475, SFr 1.6975, FFr 6.6845 and Y161.20. It rose in London to DM 2.0525 (DM 2.0290); FFr 6.7025 (FFr 6.6250); SFr 1.7020 (SFr 1.6745); Y161.80 (Y160.45). On Bank of England figures the dollar's index rose to 111.9 from 111.2. Page 35

STERLING closed in New York at $1.4050. It dropped to $1.3965 ($1.4115). It also fell to Y225.75 (Y226.50) and remained unchanged at DM 2.8650 but rose to FFr 9.3550 (FFr 9.35) and SFr 2.3750 (SFr 2.3625). The pound's exchange-rate index fell 0.1 to 67.7. Page 35

GOLD rose $1.25 to $406.50 on the London bullion market. It fell in Zurich from $406.35 to $405.25. In New York the December Comex gold settlement was $409.9. Page 34

TIN PRICES continued to advance. The European free market price rose £75 to £4,400 a tonne. Page 36

EQUITIES activity in London was spurred by Wall Street's early surge and oil shares rose sharply with British Petroleum and Britoil prominent. The FT Ordinary Share Index closed 11.9 higher at 1,279.1 and the FT-SE 100 ended 18.8 up at 1,615.8. Page 40

JAPAN is believed to be ready to impose "voluntary" restraints on its machine tool exports to the US as a result of heavy pressure from the Reagan Administration.

ZAIRE is to limit interest repayments on its $4bn foreign debt to 10 per cent of export revenues, rather than 20 per cent as in the past four years. Page 5

ONTARIO government is under pressure to provide a greater relaxation of rules for foreign ownership in Canadian securities than is achieved by measures due to take effect next year. Page 24

JAPAN'S All Nippon Airways posted first-half pre-tax profits down 14.8 per cent from a year earlier at Y5.38bn ($34m).

IMPERIAL Chemicals Industries of the UK produced its best third-quarter figures with pre-tax profits for the three months to September 30 up 41 per cent at £256m ($360m). Full-year profits are expected to regain the £1bn level of 1984, despite difficulties in its fertiliser business. Page 7; Lex, Page 20; Analysis, Page 28

TDK, the world's largest producer of magnetic tapes, suffered a 48.5 per cent fall in consolidated net profits to Y12.14bn ($76m) in the first nine months on turnover of Y278.5bn, down 11.2 per cent from the previous year.

SHIPBUILDING industry in Europe could be wiped out if the EEC failed to raise public subsidy limits, British Shipbuilders said. Page 9

FERMENTA, the Swedish antibiotics and animal health group, increased its profits by 40.6 per cent in the first eight months to SKr 353m ($51m) from SKr 251m a year earlier. Page 21

IRWIN Jacobs, the corporate raider, is considering seeking control of Borg-Warner, the diversified manufacturing and services company. Page 21

SUMITOMO Rubber Industries, one of Japan's major tyre companies, is negotiating to acquire a majority stake in Dunlop Tire of the US. Page 23

New Saudi pledge to drive up price calms oil markets

BY LUCY KELLAWAY AND MAX WILKINSON IN LONDON

THE Organisation of Petroleum Export Countries' ministerial committee on prices is to meet within the next few days in the wake of Wednesday night's dismissal of Sheikh Ahmed Zaki Yamani, as Saudi Arabia's Oil Minister.

The meeting, called by Mr Hisham Nazer, the Country's new temporary Oil Minister, will be attended by ministers from Kuwait, Libya and Ecuador as well as Saudi Arabia.

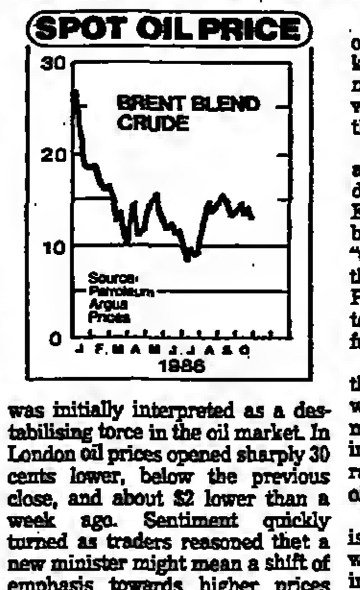
Its aim is to start working toward the Saudi Arabian objective – restated yesterday by Mr Nazer – of achieving an oil price of $18 a barrel, the official Saudi press agency said yesterday.

The meeting is to take place before the end of the current Islamic month, which is on Sunday.

The news was received with relief in the oil markets, where traders groped for an explanation for the sudden dismissal on Wednesday of Sheikh Yamani. The price of Brent crude, which had oscillated wildly during the day, ended 90 cents up at $13.70 a barrel. By early afternoon the price of West Texas Intermediate in New York had risen by $1 to $14.75.

The sacking of Sheikh Yamani was initially interpreted as a destabilising force in the oil market. In London oil prices opened sharply 30 cents lower, below the previous close, and about $2 lower than a week ago. Sentiment quickly turned as traders reasoned that a new minister might mean a shift of emphasis towards higher prices rather than higher production, and prices started to make a jagged recovery.

The movement was mirrored on the stockmarket where the oil sector after an early fall, rallied strongly in the afternoon.



"This has been a terrible day," one oil trader commented. The market has been all over the place, and most of the time I had no idea where it was. None of us knew if the news was bullish of bearish."

Despite the market's confusion, an official announcement from Saudi Arabia yesterday said that the Kingdom's oil policy was unaffected by the removal of Sheikh Yamani. "Our policies do not change when the personalities are changed," Prince Nayef Ibn Abdelaziz, the Interior Minister, said at a press conference in Paris yesterday.

The consensus emerging within the leading oil companies yesterday was that the sacking of Sheikh Yamani signalled a shift of emphasis in its policy towards raising prices, rather than increasing its share of oil production.

However, the new Saudi Oil Minister has so far given no hint as to whether he is prepared to offer cuts in Saudi production to help achieve the Kingdom's aim of raising prices to the $18-a-barrel range.

Background and analysis, Page 6; Editorial comment, Page 18

Continued on Page 20

Dollar soars as US trade deficit is cut

BY JANET BUSH IN LONDON AND CARLA RAPOPORT IN TOKYO

THE US dollar surged to its highest level for more than a month yesterday after stronger than expected US trade figures and on expectations that Japan will decide to cut its discount rate today.

Sterling had a volatile day in the wake of Wednesday's news of the shock dismissal of Sheikh Ahmed Zaki Yamani, Saudi Arabia's Minister of Oil since 1962. The pound first weakened sharply but then steadied late yesterday, reflecting firmer crude oil prices.

Most forecasters had expected a US merchandise trade deficit in September of near $15bn and news that the shortfall narrowed to $12.58bn from August's upwardly revised deficit of $14.03bn boosted the dollar four pfennigs against the D-Mark to a peak of DM 2.0590. It then fell back to end in London yesterday at DM 2.0525 from its previous close at DM 2.0290.

The data reinforced existing demand for dollars, notably from Japanese investors stocking up for next week's auction of US Treasury bonds. Rumours which started circulating on Wednesday that Japan would cut its discount rate by 0.5 per cent to 3.0 per cent also helped the dollar.

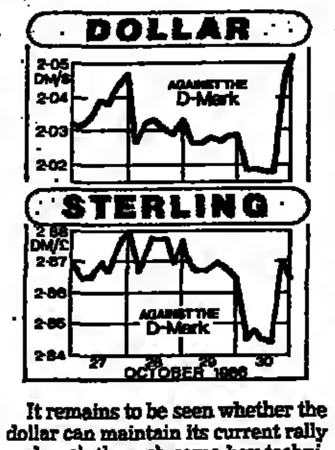
Mr Satoshi Sumita, Governor of the Bank of Japan, indicated yesterday that policy on the discount rate had changed. "It is appropriate that both fiscal and monetary policies will be managed effectively to prop up the economy," he told a press conference. The cut would be expected to become effective tomorrow.

Opinion was divided on the chances of a near-term cut in the US discount rate. New York traders said they believed the likelihood had been reduced by the trade figure but some dealers in London felt that, despite the improvement in the trade position, the US economy had still to display signs of a significant recovery.

The US is anyway unlikely to move ahead of the auction, suggesting at least short-term potential for more dollar gains. But most foreign exchange dealers still adhere to the view that the current dollar rally is a temporary phenomenon.

Remarks by Mr Malcolm Baldrige, US Commerce Secretary, added fuel to the rally. He said that the US had turned the corner on its trade deficit and the 1987 shortfall would be some $30bn to $40bn below the 1986 deficit.

One dealer at a major US bank in London said, "The market was looking for any reason to buy dollars after the trade figures and they just loved Baldrige's comments."



It remains to be seen whether the dollar can maintain its current rally and push through some key technical levels around its new, higher level. US and European markets are waiting to see whether Japanese demand is strong enough to force the dollar through resistance areas on charts at DM 2.0550 and Y162.00.

In New York, the dollar at the close of business was down slightly against sterling to DM 2.0490, Y161.3 and $1.4050. But a further rise in the US currency, at least in the short term, is expected by foreign exchange dealers.

The bullish economic news underpinned a strong rise in bond prices and heavy trading on stock markets. The New York Stock Exchange had its busiest day since March 21, excluding the two record-setting days in mid-September when the market fell sharply. The Dow Jones industrial average closed up 26.57 at 1,878.37 driven by the economic news and a wave of takeover speculation.

Traders are now looking to today's US leading indicators to confirm the improved outlook implied by the narrowing of the trade deficit. Most forecasts are looking for a small rise in the indicators which could spark of another bout of dollar buying.

The outlook for oil prices, and therefore sterling, is highly uncertain. Sheikh Yamani's successor, Mr Hisham Nazer, Saudi Minister of Planning, is to some extent an unknown quantity and trade is likely to remain volatile until Saudi policy becomes clear. Saudi Arabia said yesterday the change of personnel did not signify a shift in policy but oil prices still rose on speculation that Saudi Arabia would now concentrate more on raising prices than maintaining market share.

US trade figures, Page 4; Background and analysis, Page 5; Money markets, Page 37

UK Tories accuse BBC of bias and inaccuracy

By Michael Cassell and Raymond Snoddy in London

THE ruling British Conservative Party yesterday launched a highly detailed and critical attack on BBC television news coverage and called for a thorough reappraisal of its managerial and editorial standards.

In a letter sent to Lord Barnett, acting chairman of the BBC, Mr Norman Tebbit, the chairman of the Conservative Party, denounced the BBC for what he described as its "pro-Libyan" coverage, earlier this year, of the US bombing raid on Tripoli. He labelled it a "mixture of news, views, speculation, error and uncritical carriage of Libyan propaganda."

In a move which sharply escalates the Goverment's long-running battle over what it sees as BBC inaccuracy and political bias, Mr Tebbit accused the corporation of having lost its sense of direction. He said he had no way of knowing whether news coverage of the Libya attack was "affected by bias, incompetence, low professional standards or simple error." But it was not in the interests of the Government, the taxpayer or the BBC that such criticism could be made.

The initiative emanated from Conservative Central Office but is known to carry with it the full support of leading members of the Government, including Mrs Margaret Thatcher, the Prime Minister, who has become increasingly irritated with the BBC's recent performance.

The BBC's handling of the Tripoli raid and subsequent international developments, Mr Tebbit charged, showed it to be adopting an increasingly subjective and confrontational style of news coverage which was inappropriate for a public broadcasting body required to emphasise impartiality, objectivity and factual reporting.

The Conservative Party chairman's onslaught brought an equally forthright response from Mr Alasdair Milne, director general of the BBC, who said that the BBC "can and will" answer the complaint against it.

There was, Mr Milne said, "genuine worry that the complaint itself, and the manner of its delivery, could suggest that the Conservative Party is attempting to intimidate the BBC."

Mr Tebbit's letter was accompanied by a 21-page dossier, compiled by Mr Michael Dobbs, the party chairman's chief of staff, comparing BBC television news coverage of the Libyan episode and its aftermath with that of Independent Television News.

Continued on Page 20

Goldsmith and Hanson poised for Goodyear bid

BY RODERICK ORAM IN NEW YORK

SIR James Goldsmith and the US arm of Hanson Trust of the UK are poised to launch a joint takeover bid for Goodyear Tire and Rubber, the world's largest tyre maker, which has been damaged by a costly diversification into the US oil and gas industry.

A bid for the company would be made by a group of investors led by Sir James, an Anglo-French financier, with Hanson Industries, headed by Sir Gordon White, as "a senior partner," officials close to the deal have confirmed.

It would be the first joint attack by Sir James and Hanson. Separately the two have recently won a number of bitterly contested US bid battles, most notably Crown Zellerbach, a forest products group which fell to Sir James, and SCM, an industrial group captured by Hanson.

A final decision whether to proceed with an offer for Goodyear may not be taken, however, until Goodyear's advisers complete the restructuring study announced last week.

Following a rapid rise in Goodyear's share price in recent weeks amid speculation of a corporate raid, the Ohio-based company has a market capitalisation of about $5.4bn. Almost 24 per cent of its common shares have changed hands this week alone on top of 20 per cent in the previous two weeks.

Its shares rose a further 5¼ yesterday morning to $49⅝, a level 25 per cent higher than two weeks ago. More than 5m shares, 4.6 per cent of those outstanding, were traded.

It is believed in the market that Sir James's raiding group has more than 15 per cent of Goodyear's shares but it has yet to file a declaration with the Securities and Exchange Commission. Under US laws, such a filing must be made in the next few days.

Late last week Goodyear, admitting that it was a takeover target, hired two Wall Street investment banks to draw up restructuring plans. In an effort to rally its shareholders, the company asked Goldman Sachs and Drexel Burnham Lambert to find ways "for increasing shareholder values over the near term."

Many analysts estimate that even a moderate restructuring of Goodyear would raise its asset value to between $46 and $52 a share, although some believe realisable value may be below that range.

Goodyear derives 80 per cent of its sales and 70 per cent of its earnings from tyres. For the third quarter of this year net profits rose 18 per cent to $182.3m, or $1.68 a share, on revenues ahead by 9.8 per cent to $2.6bn.

Big Bang's computer problems will continue for six months

BY CLIVE WOLMAN AND ALAN CANE IN LONDON

THE PROBLEMS which have dogged the London Stock Exchange's computerised trading system since its launch last Monday are likely to continue for at least six months, according to UK computer experts.

A long-term solution would call for a substantial increase in the Topic system's capacity through the introduction of new computers and a radical change in the system's design.

The system's failure to cope with new demands under the trading rules which came into force last Monday in the much heralded Big Bang has been an acute embarrassment for the exchange.

Mr Chris Holland, general manager, Northern Europe, for Modular Computing Services (Modcomp) the US manufacturer which makes the computers on which Topic runs, said that adding new computers to the system was "an immense computing problem."

Topic was unlike conventional computer systems where users requesting information wait in queues, he said. Every Topic user had the right to the same information at the same time and that was only made possible by complex programming techniques.

Modcomp was seconding both US and UK staff to the stock exchange to help solve the problem, he added.

Two new computers at a cost of about £300,000 ($426,000) each are being delivered to add to the 14 already on site and the exchange was planning a new design of its information storage.

He said, it would be a difficult and lengthy operation because of the need to ensure the new system dealt fairly with every subscriber.

Broker/dealers, however, are learning to use the system more expertly. Requests for "pages" of information from Topic were well down yesterday, reaching a maximum rate of only 117 a second. The system hits it maximum capacity at 200 requests a second and fails, unless requests are artificially curtailed.

Meanwhile, further embarrassment to the exchange is being caused by claims which cast doubt on its official explanation that the problems faced by Topic are the result of an unanticipated upsurge in demand to see its pages.

According to one former manager in its information services division, the overload on Topic has arisen from its improvised architecture, which means that a single change in a share price requires not one, but several changes in the pages. This potential source of overload was foreseen two years ago, he said.

Despite the difficulties of carrying out transactions using electronic screens and telephones, Warburg Securities, one of the largest market-making firms, has already decided to move more of its dealers away from the exchange floor.

The team of six dealers, who cover the 200 leading UK equities, are being moved into the back offices and on to the telephones on Monday because of the lack of business on the floor. This leaves only 18 of Warburg's 70 dealers available to carry out face-to-face transactions on the floor.

Reformed UK gilts market, Page 8; Isre merger vote, Page 9

CONTENTS

David Barchard profiles a Turkish politician with an 85 per cent approval rating

Mayor bulldozes his way to a more modern city

"IF YOU WANT to keep a tree healthy," says the Mayor of Istanbul, Mr Bedrettin Dalan, "you have to chop off some of its limbs occasionally."

Over the two and a half years since he was elected Mayor of Turkey's largest city, Mr Dalan has endeared himself to both the business community and to the city's poorer citizens. He has bulldozed away the crumbling warehouses and other ramshackle buildings which once lined the Golden Horn and replaced them with strips of green parkland, usually paid for by large companies.

Critics complain that he has knocked down some buildings which in other countries might have been preserved for historical reasons—for instance the 17th century former embassy of the Venetian republic—but most ordinary "Istanbullus" are pleased.

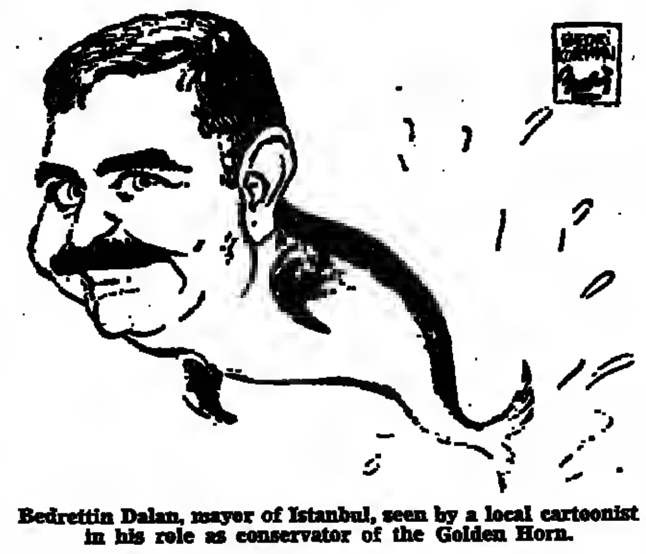
Public opinion polls show him as having an approval rating of more than 85 per cent. Even without the backing of the ruling Motherland Party, it looks as if Mr Dalan, unlike his colleague in Ankara who is widely regarded as a flop in his job of running the capital, will be virtually assured of a second term if he wants one in 1988.

At present he is setting his sights on Istanbul's horrendous traffic problems in the Beyoglu business district. Each night during the rush hour, commuters face delays of up to several hours as the city's narrow 19th century streets become clogged with cars and buses. Even the introduction of a tortuous one-way system has done little to relieve the pressure.

Mr Dalan, drawing on plans made early in the 1970s, has a simple solution. He wants to cut a swathe through Istanbul's densely-packed 19th and 20th century houses. Many of the more recently built houses are grubby smudges of concrete, but others date back to the mid-19th century. They were once the home of the polyglot Levantine merchant community which formed the commercial centre of the Ottoman Empire.

Grimy with the smog of more than half a century, these houses were built in a strange hybrid architectural style known as "Ottoman exotic" with Italianate balconies, and would have been as grand as those of any other European city if properly maintained.

But when the merchants moved out of Turkey at the end of the Ottoman Empire after the First World War, they were succeeded by a flood of migrants from Anatolian villages. Parts of Beyoglu became a red-light district, other houses were used by mechanics and artisans.



Bedrettin Dalan, mayor of Istanbul, seen by a local cartoonist in his role as conservator of the Golden Horn.

Under plans currently being considered by Turkey's historic monuments commission, 27,000 sq metres of buildings would be razed to the ground so as to drive a major highway through Tarlabasi on the edge of Beyoglu. Some demolition work has already started and the Istanbul Chamber of Architects claims that 25 19th-century houses have been illegally pulled down. Elsewhere in the city, Mr Dalan has been inclined to bring in the bulldozers early and allow the legal repercussions, which in Turkey can drag on for decades, to be settled later. The architects believe that Mr Dalan dislikes the older houses because they are Levantine rather than Turkish, and that he plans to replace them with high-rise modern buildings.

There is a precedent for this fear. In the 1950s, the then Prime Minister, Mr Adnan Menderes, demolished some much more distinguished Ottoman monuments in order to push a coastal road through the Findikli region, which today is lined by shoddy concrete buildings housing several of Turkey's largest industrial groups.

The architects claim that once one or two rows of old houses have been demolished to make way for modern ones, the whole of 19th-century Beyoglu will follow.

Mr Dalan dismisses this argument. "Istanbul has a history of 2,500 years," he says, "and buildings only a hundred years old are hardly ancient monuments by that standard. Our real aim is to make the preservation of the genuine monuments in the Beyoglu area more certain. Even the US Government's budget couldn't pay for the restoration work involved in saving many of the old houses."

Istanbul is now largely inhabited by first-generation immigrants, for whom the discomforts of life in the city loom larger than the relics of its imperial past. Many a commuter, who has to spend three or four hours a day in slow-moving columns of traffic between home and office can see little value in preserving 400 or 500 19th-century houses.

But some traffic experts claim that the new road will make little sense without, at least, a new crossing on the Golden Horn and that the city's ring roads may already have made it outed.

The end result may be that in a few years, Beyoglu will be a kindlier place for office workers, but a much less fascinating one for tourists.

Employers' final pay offer ends Swedish strikes

BY SARA WEBB IN STOCKHOLM

SWEDEN'S month-long bout of industrial action ended yesterday when unions representing 1.5m public-sector workers decided to accept the state and local authority employers' final wage offer and call off their strikes and overtime bans.

State-sector employees will have a pay rise of 6.76 per cent, while municipal and county council workers will receive 7.4 per cent, with an extra SKR 300m (£30m) to be split among the lower-salaried members such as nurses and social workers.

The 1986/87 pay increase will be backdated to October 1.

The Finance Department warned that the agreement would mean a 14 per cent increase in wage costs (including social costs) over two years, taking into account outstanding wage costs from last year's pay settlement.

The final offer presented by the mediating commission was regarded as "a disappointment" by KTK, the most militant of the white-collar union confederations, which had pressed for a guarantee of pay parity with the private sector.

Pay parity proved to be the major bone of contention in the wage dispute. However, the final agreement has no such written guarantee, only a loosely-phrased clause which allows the public-sector unions to take up the question of pay parity in the 1988 wage talks.

SACO/SR-S, the state-employed professional workers' union confederation, was satisfied that the agreement would allow its more highly-qualified members to catch up with private-sector salaries.

"There will be no tightening-up of economic policy as a result of the wage settlement," said Mr Kjell-Olof Feldt, Finance Minister, who is at present working on the budget proposals for next year.

The Government does not want to raise taxes in 1987, and the Finance Department warned that in order to pay for the increase in public-sector salaries, there would have to be improvements in the efficiency and more effective savings programmes.

The strikes, which have dragged on for four-and-a-half weeks, involved nurses, teachers, post office staff, public transport supervisors, and administrative staff.

Polish centralising moves draw storm of protest

BY CHRISTOPHER BOBINSKI IN WARSAW

CENTRALISING moves by the Polish Government now awaiting approval by Parliament have drawn a storm of protest from workers' co-management council delegates at a two-day meeting which ended in Warsaw yesterday.

Polish Press reports of the meeting also suggest that there is a rift on the issue between the Government apparatus and Communist Party officials who oppose the changes.

The Government, which is responsible for day-to-day management of the economy and is beset by shortage and an 18 per cent inflation rate, is pushing to change laws establishing de-centralising reforms which were passed five years ago.

Meanwhile, the Warsaw daily *Rzeczpospolita*, which reflects the views of the Government, yesterday gave scant coverage to the critical speeches, in contrast to Trybuna Ludu, the party organ, which reported some of them.

Geneva accord is 'possible'

A "quick and profound breakthrough" is possible at the Geneva arms talks—if the US agrees to work on the basis of Soviet proposals made at Reykjavik, Mr Viktor Karpov, the Kremlin's chief arms negotiators said yesterday, AP reports.

But he repeated allegations that the US was backing off agreements in principle which the Soviet Union says were reached in Geneva.

Moscow says the US agreed to liquidate all strategic weapons in 10 years. The White House says President Reagan agreed only on ballistic missiles.

Good Soviet grain harvest likely

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union appears to be heading for a good grain harvest, boosted by warm autumn weather, which should allow Moscow to reduce grain imports.

Final figures for the grain harvest have not yet been issued but good results from key areas in the Ukraine, North Caucasus and Byelo Russia should ensure a total close to the 1985 figure of 191.6m tonnes.

Grain import needs, primarily determined by the shortage of animal feedstuffs, are also likely to be reduced by a good fodder crop.

The US Department of Agriculture (USDA) this month forecast Soviet grain import needs in the year up to next June as 32m tonnes, well down on record Soviet imports of 56m tonnes of grain in 1984-85.

The good harvest will be welcome news to the Kremlin which has had to cut imports of plant and machinery from the West sharply in the past three months because of the fall in Soviet oil revenues.

This fall resulted from the drop in the price of crude and a deterioration in the Soviet terms of trade because its commodity exports are denominated in dollars.

Moscow is also benefiting from the subsidies on grain exports being offered in Western Europe and other grain-exporting areas.

France in triple denial on links with Arab world

BY PAUL BETTS IN PARIS

THE FRENCH Government yesterday issued a triple denial of recent French press reports claiming it was supplying arms to Syria, was negotiating a loan to Damascus and had negotiated a truce with Arab terrorists suspected of the wave of bombings in Paris this autumn.

Mr Denis Baudouin, official spokesman of Mr Jacques Chirac, the prime minister, issued the three denials yesterday but confirmed that certain Arab countries had supplied France with information and had co-operated with Paris' efforts to combat terrorism.

For his part, Mr Charles Pasqua, Interior Minister, claimed on French radio yesterday that France had no evidence that the Syrian authorities were in any way involved in the wave of bombings in Paris in September.

The Government had obtained information from Syria in connection with the investigations into the Paris bombings, he added.

The latest statements by government officials reflect efforts by the Chirac administration to stop the growing and embarrassing speculation in the French press concerning the Government's relations with the Arab world and in particular with Syria.

They come as criticisms inside Mr Chirac's own majority and continue to grow over the Government's attitude towards Syria, and its Middle East policies.

Mr Baudouin said there were no new French arms contracts with Syria. The last contracts were made in July 1984 and had been authorised by the previous Socialist government.

He added that since the conservative government came to power last March, no arms had been supplied to Syria by France.

He also said that France was prepared to accept a joint proposal to suspend arms sales to Syria by the 12 members of the European Community if such a proposal was made.

Mr Chirac's spokesman also said that all requests for arms sales to Syria had been refused, including a proposal to sell 200 AMX 13 tanks for a total of FFr 3.1bn (£330m). Delivery of Milan and Hot anti-tank missiles negotiated under the July 1984 arms deal under the previous administration had been stopped.

Mr Baudouin said France was only planning to provide Syria with food aid involving delivery of 230,000 tonnes of flour.

The French government had had "no contact, no negotiations with terrorists" and had not negotiated a truce with the Abdallah brothers in the Lebanon suspected by the French of masterminding the Paris bombings.

Vienna plans privatisation programme

THE AUSTRIAN Government yesterday unveiled a large-scale programme of privatisation as part of its campaign to bring the nationalised industries out of the red, Patrick Blum reports from Vienna.

The programme involves selling or reducing the share of OIAG, the holding company for the nationalised industries, in several companies and seeking private, possibly foreign, partners for others.

The sales are not expected to bring in much more than Sch 4.5bn (£226m) to the Government but it is hoped that they will put an end to years of accumulated losses in the state sector which is now undergoing a thorough re-organisation.

Among major measures, the Government intends to:

● Sell up to about 15 per cent of shares in OMV, the oil and gas group, on the Vienna Bourse by June 1987 at the latest;

● Seek a partner for 49 per cent of the shares in a new company to be established by splitting away the pharmaceutical branch of Chemie-Linz, the chemicals and petrochemicals group.

Madrid Bourse move

Foreign companies will be allowed to list their shares on the Madrid stock exchange by 1988 under a proposal to be submitted to the Trade Ministry today, Mr Manuel de la Concha, the Bourse chairman, said yesterday, Reuter reports.

"It will be a two-stage operation to let foreign issuers in at a gradual pace."

Fixed-income securities, those issued by Spanish companies in foreign exchange, and instruments of international agencies such as the World Bank would be listed next year, he added.

"This stage will also include straight debentures of European Community companies with Spanish affiliates. Final deregulation will come in 1988."

EEC growth slows

European Community industrial output rose about 2 per cent in August compared with a year ago, the Community's statistics office Eurostat said yesterday, Reuter reports from Luxembourg. This is below July's 2.9 per cent growth and the average year-on-year increase of 2.2 per cent in the first half of this year.

Eurostat said the seasonally-adjusted production index, base 1980, was provisionally estimated at 104.5 in August against 106.3 in July.

FAO refugee aid

THE UN Food and Agriculture Organisation (FAO) said yesterday that it had approved aid worth more than $22m (£15.2m) for Afghan and Ethiopian refugees and victims of drought in Nepal and a typhoon in Vietnam, Reuter reports.

Emergency food aid worth $8.2m would be sent to Afghan refugees in Pakistan this year. Ethiopian refugees in Somalia would get emergency provisions worth more than $10.7m in the first four months of 1987.

Vote-catchers gather for Radicals' 'last rites'

BY JOHN WYLES IN ROME

ITALY'S Socialist Prime Minister, Mr Bettino Craxi, Mr Franco Nicolazzi, the Social Democrat leader, and other top political "mourners" came yesterday to pay their respects at what may be the last annual congress of Italy's Radical Party.

None was at all sure that the party, which was at the forefront of the great liberation battles of the 1970s over divorce and abortion, will really roll over and die.

Most suspect that the proposal to suspend the party's activities, which will be voted on Sunday, is just another product of the political brain of its histrionic leader, Mr Marco Pannella.

But by their presence, the other party leaders were leaving nothing to chance.

If the Radicals do decide to walk off the political map, then their 2-3 per cent share of the national vote would be lucrative pickings.

Gathered in the cavernous conference room of a mega-hotel on the outskirts of Rome, the 600 Iscritti (members) attending the congress somehow seem unlikely to swallow the poison pill which Mr Pannella is offering.

He says the Italian system is so undemocratic that it does not deserve the Radicals.

They are clearly drawn from the middle classes and the ranks of disaffected well-educated youth for whom suppression of the party would be a denial of their personal identities.

"I am a Radical because the political system is so rotten and the Radicals are the only party fighting to improve and change it," said Mario Theresa, a philosophy student from Pisa University. For her, life without the party would be impoverished.

So, indeed, would Italy with its bureaucratised parties lacking in even a trace of the dottiness with which the Radicals have added to the nation's gaiety.

Every libertarian group, every single-issue organisation, every "victim" of Italian justice can snuggle into the warm embrace of the Radicals. Their congress is a chorus for every challenge to the established order.

There is no surprise in finding that the ecologists have set up a stall outside the conference hall, nor that the anti-vivisectionists feel completely at home there alongside the anti-nuclear *militants*.

The proposal to put the party into hibernation would not only rob such people of a natural political home, it would also remove a galvanising political force behind the defence and expansion of civil rights.

Although the Radicals have been definitely unsound in resisting a crackdown on domestic terrorism, they have brilliantly exploited the referendum system to challenge the existing Christian Democratic order.

The victories include not just the "anti-clerical" issues of divorce and abortion but also conscientious objection and prison reform.

Though they have lost more referenda than they have won, they have, says Martin Clark, the historian, "kept Italian politics on the boil."

Their tactics have always been self-dramatising and unorthodox, drawing much of their inspiration from Mr Pannella who claims that his methods, and some have been really outrageous, have been necessary because the Christian Democrat hold on the media has allowed only minimal exposure for radical causes.

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AMERICAN NEWS

Trade deficit cut lifts Republican Senate campaign

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan's campaign to help the Republican Party retain control of the US Senate received a boost yesterday when the Commerce Department reported that in September, for the second consecutive month, there was a significant decline in the US trade deficit.

A sign of how the White House will seek to turn the news to its advantage as the mid-term election campaign reaches a crescendo came quickly from Mr Malcolm Baldrige, the Commerce Department secretary, who claimed: "We have turned the corner on the trade deficit. From here on it will begin to contribute to economic growth." But he warned: "There will be temporary setbacks."

What no Administration official will be prepared to do ahead of the election, however, is to voice the fears within the White House that, even if the trade deficit has stabilised – and that is beginning to look like e possibility given the current sluggish rate of growth of the US economy – any improvement next year is likely to be modest.

The Commerce Department data showed that the September deficit fell to $12.6bn compared with $13.3bn in August. Imports fell just under $1bn to $30bn and exports were virtually unchanged at $17.5bn.

Private economists are anticipating that the deficit for 1986, which has been running at an average monthly rate of about $14.4bn, will be around the $170bn mark this year compared with $148bn in 1985.

There is no sign, however, of any pick up in exports. The September export figure of $17.5bn was below the monthly average for this year of $17.8bn. Moreover the bulk of the dollar decline over the past 18 months is focused on a few of America's trade partners in Europe and Japan.

Mr Ronald Reagan

As a result private economists are not anticipating dramatic reductions in the trade deficit if the economy continues to expand moderately, and Washington's politicians are still expecting trade policy to remain a political battleground on Capitol Hill.

It is questionable whether, in e mid-term election campaign which has for the most part failed to focus on major national issues, the last two months' trade figures will turn out to be a significant positive factor for Mr Reagan and his Republican allies as they seek to hang on to their slim majority in the Senate.

The figures, coupled with the improved third-quarter growth in real gross national product of 2.4 per cent, and the brighter tone in the financial markets as dealers anticipate some further decline in oil prices, will all help Mr Reagan as he campaigns in the midwest for Republican candidates. Had the GNP and trade figures been adverse, however, the President would have found it more difficult credibly to predict, as he has been doing, that the US is poised on the verge of a "second economic boom" because of his economic policies.

The silver dollar makes a comeback

By William Hall in New York

WITH a cry of "Hi-yo silver, away" and a drumroll from tha US Sixth Army band, US Treasury Secretary, Mr James Baker struck the first American silver dollar in over 50 years at the San Francisco mint.

The Silver American eagla bullion coin, to give it its correct title, is the poor relation of the new American eagla gold bullion coins and completes the line-up for the US Government's two-pronged ettack on the multi-billion dollar bullion coin market.

Since the discovery of the buge Comstock lode in tha nearby Sierra Nevedas, tha US bas ranked among the world's leading silver producers. Mr Baker said he boped that the striking of the new silver dollar would set off another San Francisco silver rush.

The silver dollar will "provide investors and consumers with an opportunity to invest their hard-earned dollars in a product that keeps money working in our domestic economy," said Mr Baker.

Unlike its more expensive relative—which faces stiff competition from Canada's maple leaf and South Africa'e krugerrand gold coins — the American silver dollar's main rival is Mexico'e libertad silver coin. US Mint officials are confident they can "whoop" the competition from south of the border.

"All indications are that the American eagles will have a very prominent position in the marketplace both at home and abroad," said Mrs Donna Pope, the director of the US Mint, who admitted that she bad badly underestimated the initial demand for the gold coins which went on sale last week.

The first 800,000 gold eagles minted were snapped up within the first two days and another 134,000 coins were sold in the first few days of this week. This far exceeds the 120,000 coins a week that the US is able to produce.

"Our West Point facility is working around the clock, seven days a week, to meet the demands of this gold fever which we hope will be contagious," said Mrs Pope. She stressed that US mints would continue to work flat out to meet demand for both the silver and American eagles.

The silver coin contains one troy ounce of pure silver and is slightly more than 1½ inches in diameter. The previous US silver dollars contained ¾ of an ounce of silver. Although the new coin will heve e face value of one dollar, it will not trade at face value. The retail price will be linked to the silver market prices (currently around $5.60 an ounce) with a mark-up of around $2 for production and distribution costs.

Waldheim denies new allegations on war record

BY PATRICK BLUM IN VIENNA AND NANCY DUNNE IN WASHINGTON

FRESH allegations yesterday that President Kurt Waldheim of Austria was implicated in wartime Nazi atrocities in Yugoslavia were rejected by a spokesman in Vienna as "nonsense" and "untrue."

Yesterday's Washington Post report charged that Mr Waldheim had lied about his whereabouts at the time and that he had been the target of Yugoslav and Soviet blackmail. The report claimed Mr Waldheim had acknowledged that he had been a "supply" officer participating in the Nazi's bloody "pacification" of Serbian rebels in the spring and summer of 1942 in the Yugoslav province of Bosnia.

In a 13-page memo, presented to the Post last April, Mr Waldheim had denied that he had been in the province during the time, although German records listed him on the command staff of the Wehrmacht's Combat Group West Bosnia, which planned and conducted the pacification effort. He claimed the assignment had been purely for record-keeping purposes and that he had actually been sent away immediately to be e liaison officer with an Italian infantry division 180 miles away.

However, Mr Waldheim's spokesman, Mr Gerold Christian, has admitted that "additional research" has revealed the earlier contention to be wrong, the Post reported. The admission appears to raise new questions about Mr Waldheim's actions during World War II.

The newspaper said that German reports list Mr Waldheim among others receiving awards for meritorious service during the Kozara campaign. He received the King Zvonimir medal from the puppet Croatian government for "heroic bravery in the battle against insurgents."

After the battle against 3,500 armed partisans, 13,000 people in the area were killed and 68,000 were sent to concentration or forced labour camps in Germany and Norway. Thousands died along the way and in camps of disease and starvation.

The Post reports that in 1947-48 Yugoslav and Soviet intelligence services tried to blackmail Mr Waldheim into becoming a communist agent by threatening to charge him with war crimes. According to former Yugoslav intelligence and government officials, interviewed by the newspaper, the Yugoslav secret police compiled a dossier of charges against Mr Waldheim.

One senior Yugoslav intelligence officer said he had been advised by the Soviet *intelligence* service in early 1948 that Mr Waldheim had been recruited. This assertion was denied by Mr Christian, who said "Mr Waldheim was never approached by any country in a manner implied by the question."

The Post said it was unable to independently verify the claim of Mr Waldheim's recruitment.

Mr Christian said that it was true that Dr Waldheim had been in the Kozara region of Yugoslavia in 1942, but that he had never denied this and that he had oever played any role in Nazi pacification programmes in the region at the time.

New documents found last July were sent to the US Justice Department which was then carrying out an inquiry into Mr Waldheim's background. "We sent this voluntarily," Mr Christian said.

Mexico expected to miss deadline for $6bn loan

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MEXICO IS likely to miss today's deadline for receiving subscriptions to its latest $6bn loan from commercial bank creditors, but bankers say this should not put its debt rescue package in jeopardy.

The International Monetary Fund had earlier asked banks to confirm their participation in the loan by today so that it could formalise its own SDR 1.4bn credit for Mexico on which that country's entire rescue package including World Bank finance and bilateral credit from Japan depends.

Yesterday bankers in New York said subscriptions had begun to flow in to the loan, but it is unlikely they will receive the required total of 90 per cent of the amount sought by today.

This is because the time left for syndication of the credit among more than 500 creditor banks was very short after final legal details of the package were agreed earlier this month.

Mexico's failure to meet the deadline should not of itself be seen as a sign that its rescua package bas failed, they said. After a series of "roadshows" in the main financial centres of the world, senior bankers on tha Citibank-led advisory committee of leading creditors said they they were more confident than before of a positive response to the deal.

Bnt the roadshows only reached Japan on Tuesday and this leaves little time for banks there and elsewhere to seek formal board approval for their participation.

Bankers said the IMF was still working officially on the assumption that today's deadline would be met, but they expected it to be ready to extend the deadline provided that there were positive signs by today that the subscription target could be met soon.

Mexico's olan package, which also calls on banks to commit a further $1.7bn in contingency finance to Mexico and to ease the terma on more than $50bn in existing debt, is regarded as one of the most controversial since the debt crisis broke four years ago.

It was launched amid grave worries over Mexico's ability to weather tha economic problems caused by the decline in oil prices and senior bankers said they have been concerned about the willingness of some smaller banks to participate.

Bermuda in tax talks with US

By Roger Scott Hamilton in Bermuda

BERMUDA'S controversial tax treaty with the US, which failed to win Senate ratification earlier this month, will be discussed this weekend when Mr Edwin Meese, the US Attorney General, visits the island's premier, Mr John Swanton.

The Administartion - sponsored agreement gives tax breaks to American businesses operating out of Bermuda in return for the colony's assistance in US tax investigations.

Paris likely to pull out of Norway gas accord

By Lucy Kellaway

FRANCE seemed more likely te pull eut of the NKr 500hn (£48bn) gas purchase agreement with Norway yesterday following an ebortive meeting io Paris between French and Nerwegian ministers.

Mr Finn Kristensen, the Norwegien Industry Minister said yesterday that he was less optimistic about an agreemeot being resched as a result of the talks.

He confirmed, bowever, thet the deal, which has been agreed by the other consortium members in West Germany, Netherlands and Belgium, would go ahead even without French support.

France, which in May provisionally agreed to huy 40 per ceot of the gas, has been trying to secure additional exports to Norwey and work for French cootractors in developiog the Troll and Sliepoer gas fields as a preconditioo for committing itself to the deal.

Mr Arne Oien, the Norwegian Energy Minister, said yesterday that Norway was "not prepared to offer France any special privileges."

Under the terms of the deal, Norway would deliver a total of 450bo cubic metres of gas for a period of 27 years startiog from 1993.

Falling value of oil imports upsets bilateral trade understanding. **Olli Virtanen** reports

Finns see Soviet privileges slipping away

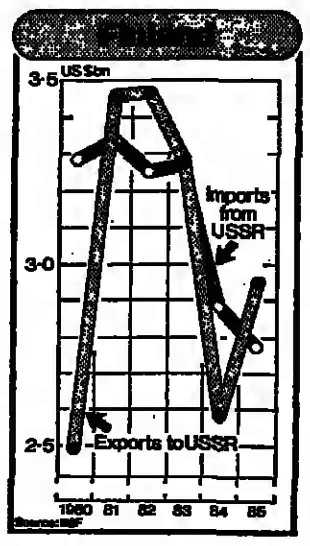
LIKE A CHILD who has been in e sweet shop for too leng, Finland has caught severe indigestion. For years in e special positien with the Soviet Unien, enjeying trading privileges denied to other Western countries, Finns are now being relegated to the ranks.

The Soviet Unien has traditionally been Finland's most important trading partner, taking np to 25 per cent of its exports, te a total value of ebout $4bn this year. Next year Moscow's share of Finland's total foreign trade will fall below 15 per cent.

There are two basic reasons fer the change. First, crude eil imports from the Soviet Union, which account for 80 per cent of all Finnish imports from the country, are now much cheaper, automatically reducing Finland's export opportunities. According to the two nations' hilateral trade protocol, exports have to balance imports over the long term.

Second, the regime led by Mr Mikhail Gorbachev bas devolved much decision-making to individual companies and ether establishments. Finnish officials, politicians and industrialists, who have developed very good personal relationships with their counterparts ln Moscow, are finding that more and more trade decisions are heing made elsewhere.

Finland bag started to attack the first problem, by buying



more from its Eastern neighbour, although this is easier said than done.

Neste, Finland's national energy group, has agreed to buy a total of 3m tonnes of crude oil from the Soviet Union this year and in 1987, which it will sell on the international markets. The oil, although originating in Algeria, Iran and Iraq, will partly offset the eurplus.

Finland's paper exporters' sales organisation, Finnpap, is also currently negotiating on selling Soviet paper to third countries and Finnish companies have agreed to import more Soviet machinery.

An eld idee of setting up joint venture companies inside the Soviet Union has also cropped up at trade talks. Finland's biggest forest indnstry company, the state-owned Enso-Guizeit, has already announced that it hopes to set up e "forest industry prodnction unit" in the Soviet Karelia, just across the border from Finland. The products would mainly be sold to third countries.

Moscow would control 51 per cent ef the venture while Finns would hold the halance. However, several questions have been raised over how the share capital, would be provided—in the form of land, equipment, labour force, roubles or hard currency? Repatriation of profits, bankruptcy arrangements and quality control are also key Finnish concerns.

The two countries recently agreed to set np a special, interest-bearing account for part of the surplus. Their trade protocol stipulates that a surplus of $400m either way is eccept-able. Now, some $300m-$400m will be set aside from the normal clearing account, although the terms of the new eccount are yet to be settled. This means that a projected

Finns who have developed very good personal relationships in Moscow are finding that more and more trade decisions are being made elsewhere

surplus of $800m for this year will be allowable.

Next year will be more problematic. There are few suitable prodncts to buy from the Soviet Union and in countering Moscow's other problems, like poor quality of goods and delivery times which are seldem met tend to deter importers.

Both parties appear determined to balance their trade next year, notwithstanding the special account. The decline in Finland's exports will be felt mainly by small and medium sized companies, particularly footwear and clothing manufacturers.

Some 80 per cent of Finland's footwear exports and almost 40 per cent ef clothing exports have gone to the Soviet Union. Switching production to suit Western tastes and, more importantly, finding new buyers, will be e deunting task. A number of such companies have already gone bankrupt and more are expected to do so next year.

The secood cause of the problem is more difficult to attack. Finnish exporters will find competition against other Western exporters much harder after the announcement that its 21 ministries and 70 companies will have rights to conduct foreign trade independently, without the supervision of Gosplan, Moscow's central planning organisation.

Eventually this may spell the end for the bilateral trading principle between Finland and the Soviet Unien. If more and more trade decisions are made on the factory level in the Soviet Union, Finns ask, how can there be an overall agrement on the volume of annual trade?

Not only bave the Finns been refused admittance to the sweet shop, hut the shop itself appears to have been moved elsewhere.

Tokyo tax reforms fail to satisfy Scotch importers

BY CARLA RAPOPORT IN TOKYO

JAPAN'S plans to reform its discrimatory tax system on wines and spirits may net be enough to satisfy the European and US drinks industry, according to top-level industry executives now in Tekyo.

"We have the impression that something will be done, but not necessarily the fundamental change we are seeking. Tinkering with the system will not change it," said Col "Bill" Bewsher, director general of the Scotch Whisky Association in Tokye yesterday.

The drinks industry mission has met a wide range of top-ranking Japanese officials this week in its efforts to press e change to Japanese drinks taxes and tariffs.

The EEC has designated the drinks issue as e test case of Japan's willingness te open its markets. The issue is dne te ge before the General Agreement on Tariff and Trade (Gatt) shortly.

The problem is not so much one of import tariffs but the domestic tax structure en drinks sold in Japan. This eutomatically puts Scotch whisky in the highest tax bracket, bnt domestic spirits in the lowest.

"We're very encouraged that the Japanese understand the issue. They know there are distortions which make imported drinks uncompetitiva . . . but there is an anxiety that they won't grasp the nettle," said Col Bewsher.

He added that the prohlem was essentially a political one, because it involved domestic tax reform and the domestic drinks industry.

Moscow reforms trade 'in line with Gatt practice'

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union's reform of its foreign trade structure from the beginning of 1987 should make Soviet commercial practice more in keeping with tha rules of the General Agreement on Tariffs and Trade (Gatt), according to a Soviet spokesman.

Mr Ivan Ivanov, head of the Administration of International Economic Relations at the Soviet Foreign Ministry, told the Weekly Moscow News that although the Soviet Unioo was denied observer status at the last Gatt meeting "a reform of foreign economic machinery is underway in the Soviet Union."

Mr Ivanov denies that Soviet foreign trade organisation is not in keeping with Gatt rules. He said that in future the decisions in Soviet foreign trade would increasingly be made by individual organisations and not by the Foreign Trade Ministry monopolising control over all exports and imports and charging artificial prices for goods.

From January 1 1987, the Soviet ministries and departments would be given the right of eppearing directly in tbe world market, Mr Ivanov said. "They will operate according to the cost accounting principles with dne regard for domestic and world prices and on the principles of bard currency, self supporting end self financing."

The Soviet Union made a surprise epplication in August to sit in on the world trade talks of Gatt, the 90 member organisation of which China and four Comecon states — Czechoslovakia, Hungary, Poland and Romania — are members.

The Soviet epplication was turned down. A US trade representative said: "We see no benefit to the Gatt system by USSR participation given the fact that the Soviet international treding system is et fundamental, practical and philosophical variance with the principles and practices of Gatt."

Mr Ivanov ettacked the US and its allies for denying tbe Soviet request te observe the trade talks and stressed that tha US had refused the Soviet Union most favoured nation status.

Unido takes on role of consultant

By Stephanie Gray

THE United Nations Industrial *Development Organisation* (Unide) has taken en the role of consultants to such leading multinational cempanies as Bechtel Corporatieo and Coca Cola of the US, Mr Domingo Siazon, the Unido director-general, said in London this week.

Mr Siazon, who has been in Britain promoting jeint ventures for Unido projects, said the organisation had received contribntions towards technical assistance projects in such countries as India and China in return for providing dats on contracts and easing the paths of hig companies through various ministries.

Coca Cola, fer example, had had difficulties obtaining e licence for a Shanghai bottling plant at the same time as Unido bad been asked to aid the Chinese beverage industry.

Coca Cola'e problems were solved and, in return, the company offered assistance in the production of resins by the Shanghai Petroleum Corporation.

Bechtel had contributed towards technical assistance in return for help to secure e contract in Egypt to improve energy utilisation at a glass factory.

Gillette to set up razor plant in Pakistan

By John Elliott in New Delhi

GILLETTE of the US is to set np a $12.5m razor blade manufacturing plant outside Karachi in southern Pakistan during the next two years as the latest stage of its expansion in developing countries.

This follows the successful launch this year of e $13m factory outside New Delhi in India which has exceeded production and quality targets set by the US parent. Gillette has a 24 per cent equity stake and its Indian partner is Poddar of Calcutta.

Within six months of starting prodnction at the factory, output is running at an annual rate of 84m double edge blades, 90 per cent of the full capacity on single-shift production. The company is licensed te donble this to 200m blades with two shifts. Scrap rates are running at 15 per eent of output, partly caused by electricity failures.

"The quality of double-edged blades in India is not exceeded by any other Gillettö plant in the werld," Mr Colman Mockler Jr, chairman of Gillette, said yesterday after he had attended the official opening of the factory.

TOKYO'S DISCOUNT RATE

Central bank reveals a change of heart

BY CARLA RAPOPORT

JAPAN HAS been insisting for nearly three months that a further cut in its official discount rate was not necessary. Yesterday, the Bank of Japan did a quick about-face, revealing that it is worried about the economy.

Japan has refused to follow the latest cuts in the west, in spite of intense international pressure, by maintaining that the cost of funds were already at all-time lows. It has also said a further cut would only fuel inflation and that by reducing bank deposit rates, the move would push more money into an already overheated stock market.

A number of factors in recent weeks, has apparently led to the Bank of Japan's change of heart.

First, the stock market moved into reverse in early September, largely because of the uncertain outlook for the economy. At the same time, Tokyo's sky-rocketing property prices appear to be levelling off, removing another inflationary concern.

Further, the Bank of Japan has found itself under increasing pressure from Japan's business community to provide some monetary stimulus to the economy following the government's recent Y2,300bn ($10bn) stimulative economic package.

Earlier this week, the central bank convened a meeting of its regional managers, who apparently painted a suitably grim picture of business around Japan following the yen's appreciation against foreign currencies.

A senior Japanese bank official said yesterday: "That meeting was the trigger they needed to act. They needed to hear from their own people that the economic slow-down was becoming apparent throughout Japan."

What is curious, however, is that the move comes at a time when the dollar has been slightly strengthening against the yen. The Bank of Japan has stood firmest as the promoter of a strong yen as a means to help correct Japan's trade imbalance with the west.

The move to cut interest rates in Japan will no doubt add further strength to the US currency. Brokers yesterday estimated the move could put another Y10 on the dollar's value, perhaps to Y169 from the current Y159.

Economists were uncertain yesterday whether the latest cut, the fourth this year, could actually do much for Japan's economy. According to Nomura Research Institute, gross national product growth of this year will be just 2.3 per cent, the lowest figure since fiscal 1974. The Economic Planning Agency had been forecasting 4 per cent growth for this year.

Government officials expect the stimulative economic package to add 0.5 per cent to GNP growth over the next few months. Yesterday, no one was prepared to guess at the effect the cut would have.

To most, who recognise that the cost of funds in Japan already stand at all-time lows, the move is seen as a welcome gesture from the central bank, proof that further measures could be forthcoming.

Satoshi Sumita, governor of the Bank of Japan

Carla Rapoport on a report that has made tax reform a rare talking point

Japan taxed by threat of 'creeping VAT'

FOR 35 years, the Japanese haven't bothered with their tax system. Now, tax is a subject of hot debate. By the end of this year, the Japanese may be talking of little else.

Earlier this week, a blue-ribbon government advisory committee handed over its recommendations for substantial changes in the country's tax system to Prime Minister Yasuhiro Nakasone. Now, the focus of debate has shifted to the tax commission of the ruling Liberal Democratic Party (LDP), which is expected to make its recommendations by mid-December. If one had to choose which groups' recommendations carry the most weight, the political group would win by a respectable margin.

As with most Japanese domestic policy decisions, however, this one will be fully aired in public and private before any decisions are made. Mr Nakasone must settle the tax issue before the end of this year, however, if it is to be reflected in the budget for fiscal 1986-1987. Already, the debate has produced some hot potatoes for Mr Nakasone. The next few weeks will be crucial ones for the Prime Minister as he seeks to parlay the tax reform package into another personal triumph.

The next few weeks will be crucial for the Prime Minister who seeks another personal triumph

So far, the most controversial element of the recommendation from the advisory committee has been a proposal for an indirect tax, similar to the European-style value-added tax (VAT). Mr Nakasone specifically campaigned against VAT during the general elections earlier this year. As the LDP scored a huge victory in that election, it would be fairly difficult for the Premier to backtrack in such short order.

Nonetheless, the Government is committed both to cutting income taxes and maintaining a broadly neutral effect on the overall amount of tax revenues it collects. The powerful Ministry of Finance, conscious of Japan's Y136,000bn accumulated deficit, strongly favours an indirect tax.

According to economists watching the debate closely, a Japanese-style compromise is expected to be struck between the Nakasone camp and government bureaucrats. "I think we'll see a creeping VAT introduction, a Japanese VAT in a limited form which will make everyone happy because it can be expanded later on," says Mr Takashi Kiuchi, senior economist at the Long-Term Credit Bank in Tokyo.

This creeping introduction could take several forms, from a tax at the consumer level to a tax at the factory gate on manufacturers' prices. If the latter is imposed, small businesses could be expected to be given exemptions.

Two other major issues of contention are the abolition of tax relief on interest for small savers and the introduction of capital gains tax, both recommended by the government advisory committee. In the case of taxing interest on small savings, the LDP leadership has already displayed a public split. Deputy Prime Minister Shin Kanemaru spoke out forcefully against the proposal at the end of last week.

The taxation of interest for small deposits is aimed at forcing individuals to spend more of their money, rather than save, in order to help fuel a domestic expansion. But a prominent Japanese economist recently pointed out that, if individuals are taxed on their interest, they may simply save more in order to cover the tax.

Prime Minister Yasuhiro Nakasone

Capital gains tax is another hot issue. Tokyo's casino-like stock market has long worked on the principle that investors prefer rising share values, rather than dividends, because dividends attract tax. As a result, investors happily pile into fast-rising shares without worrying about potential for dividends or even earning potential itself. Stock brokers say they are worried that investors' enthusiasm will diminish as a result and more money will flow overseas if Tokyo starts taxing capital gains.

The less controversial issue appears to be income tax, in which the advisory committee has recommended total personal income tax cuts of Y2,700bn, a reduction of the maximum rate from 70 per cent to 50 per cent and a reduction in the number of tax brackets. Also, the committe appears likely to gain the politicians' approval on their proposal to reduce corporate tax from the current 52.9 per cent to less than 50 per cent over a gradual time-period. Japan's self-employed also look likely to find themselves with few tax deductions.

The real impact of the tax reform package, however, remains with the final decision on VAT. A strict indirect tax could eliminate many of the benefits of personal income tax cuts. A gradual introduction of VAT, however, could mean a gradual introduction of income tax cuts. This, in turn, could mean that the real impact of this package may not be felt for some years.

India seeks court order on Union Carbide

By John Elliott in New Delhi

THE INDIAN Government yesterday asked for a court order restraining Union Carbide, the US multinational, from disposing of its assets until compensation had been awarded for victims of the lethal gas leak at the company's Bhopal pesticides factory in central India nearly two years ago.

At a hearing in the Bhopal district court, counsel for the government asked for the order "within or without the jurisdiction of the court." He said Union Carbide had been disposing of its assets and this could "delay and defeat" any later court order on compensation.

The company's assets which had been estimated at $4.019bn (£2.85bn) had been reduced to about $787m.

Legal argument is to be resumed on November 25.

The Indian Government filed a case early in September in Bhopal for unspecified damages against Union Carbide following a ruling in a New York court that the case should be heard in India.

Reuter adds from Bhopal: A team of five Indian and two American lawyers represented Union Carbide yesterday. The company's representatives failed to appear at an earlier hearing.

● Twenty-nine women were rushed to a hospital in western Gujarat state after succumbing to toxic fumes from a chemical factory. An ammonia tank at the plant was the source of the leaking gas, according to officials in the port town of Veraval. The women are vendors selling prawns near the factory.

Diverted Kuwaiti envoy flies home

A SPECIAL envoy of the Emir of Kuwait, whose aircraft landed in the Soviet Union on Wednesday night amid reports that it was chased by Iraqi jets, flew home yesterday, Reuter reports from Kuwait. Former Oil and Finance Minister Abdel Rahman Salem al-Atiqi made no public statement on his return to the northern Gulf emirate. He was flying from Damascus to Tehran when his plane was diverted.

Zaire to limit debt servicing to 10% of export receipts

BY MICHAEL HOLMAN, AFRICA EDITOR

ZAIRE HAS announced it intends to limit the servicing of its estimated $5bn-$6bn external debt to 10 per cent of export receipts with effect from next year.

The decision represents a challenge to western institutions, notably to the International Monetary Fund (IMF) and the World Bank, which have helped draw up one of Africa's most far-reaching economic reform programmes.

Zaire has been singled out by the IMF and the US, President Sese Seko Mobutu's main ally, as an example of an African country prepared to tackle problems caused by an overvalued currency, inefficient state corporations, weak budget management, inadequate private sector incentives and a poor agricultural record.

Over the past four years of reform, however, under the close scrutiny of the IMF, the government has become concerned by the lack of results and the high price it has had to pay.

In particular, President Mobutu has stressed the fact that Zaire remains a net exporter of capital in spite of the pressing need to rebuild the country's infrastructure and rehabilitate industrial and agricultural sectors devastated by mismanagement in the 1970s. In 1984, for example, Zaire paid out $190m more to medium- and long-term creditors than it received in new funds.

A confidential World Bank report last year acknowledged the predicament this posed, describing it as "a situation incompatible with recovery or development."

This concern was reflected in the announcement of the decision to limit debt servicing, carried in a statement released in Kinshasa on Tuesday and signed by the President.

The IMF-supported programme had, said the statement, "led the country to operate, without sufficient compensation, a net transfer of capital which is not balanced by consequent investments from external partners."

Such investment was needed if there was to be a recovery which would generate the resources needed for debt repayments, it said.

The statement said Zaire had been spending over 25 per cent of export receipts on external debt servicing.

"Any future programme with the IMF should be seen as a supplementary aid to national efforts, and concluded with a view to a real launch of the Zaire economy, and no longer simply as a programme of austerity and stabilisation."

Last May Zaire signed a 22-month, SDR 214m (£252m) loan agreement with the IMF. Zaire's decision to limit external debt payments puts that agreement in jeopardy. This in turn will prejudice Zaire's efforts to arrange rescheduling of its external debt, the subject of frequent rounds of negotiations over the past decade.

Strike by GM workers in S Africa continues

BY JIM JONES IN JOHANNESBURG

THE STRIKE by about 3,000 South African employees of General Motors went into its second day in Port Elizabeth yesterday while union demands for representation on the new board were negotiated with management.

Between 500 and 2,000 men occupied the motor company's premises on Wednesday night and were planning another sit-in last night.

Union members are concerned that GM's intended sale of its South African operations to unnamed local buyers could lead to redundancies and have demanded the right to appoint two members of the company's new board.

Late on Wednesday evening GM won a court order calling on The National Automobile and Allied Workers' Union and the Motor Components Workers' Union of South Africa to show reason by November 3 why their strike should not be declared illegal.

Scapegoat for policy that fell to law of supply and demand

Roger Matthews and Max Wilkinson look at the implications of Yamani's departure

THE PEREMPTORY sacking of Sheikh Ahmed Zaki Yamani after almost a quarter of a century as Saudi Arabia's Oil Minister is universally agreed to be of major significance for the oil markets, and therefore for the world economy. But there, agreement ends.

Some believe it signals a tougher policy towards the warring factions within the Organisation of Petroleum Exporting Countries. Others say that the Saudi royal family led by King Fahd is embarking on a more conciliatory line towards the militant oil producers, particularly Iran, and is preparing to make sacrifices in oil production in the common interest of ensuring a higher price. Among even the most expert watchers of Saudi Arabian politics, however, there are major disagreements about the outcome.

After the news broke, prices in the oil and financial markets fell sharply at first. Then traders discovered that they were not so sure about the significance of the move, and prices were marked up again. It may be that they were wrong both times.

The task of unravelling the strands of policy behind the sacking is made especially difficult because of the tangle of internal rivalries within Saudi Arabian Government and the broader canvas of Middle East politics.

The collapse of oil prices this year has made the kingdom increasingly isolated because it (and Kuwait) are seen to be proportionately much less vulnerable than other Arab oil producers with large debts or higher populations.

As a result, Saudi Arabia has become more vulnerable to Iranian protests. Tehran has become increasingly belligerent, making scarcely-veiled threats to blow up Saudi tankers, or worse.

For these reasons the sacking may well signal a considerable degree of nervousness, uncertainty and intellectual confusion in the Saudi hierarchy. It is now fairly clear that the essential policy objective of the King is an oil price of $18 or more without any significant sacrifice in production by Saudi Arabia.

It seems that Sheikh Yamani has strongly urged that in current market conditions the objective of a higher price and increased market share may be incompatible. He has made it clear that he believes it is pointless to talk about fixing higher prices unless Opec can agree a credible medium-term arrangement for cutting production below the level of demand for Opec crude.

King Fahd, however, appears to have a rather more simplistic view about the world's need for oil and is highly impatient with subtler explanations about the interaction of prices with supply, demand and the health of the world economy.

In a recent interview he said that there were no alternatives to oil that were not either expensive or dangerous. "You have only to look at the Soviet nuclear disaster to realise that there is no substitute for oil. If you want to eat fruit, you can choose between an apple or a banana but there is no alternative to oil which is both inexpensive and safe.

"So the experts' price analysis has been proved wrong and this is not the first time that the forecasts have not come true. In my opinion, the price of oil will stabilise at a maximum of $20 a barrel, particularly when it is taken into account that the consuming countries have used up a large part of their oil reserves and that when prices fall, consumption rises," he said.

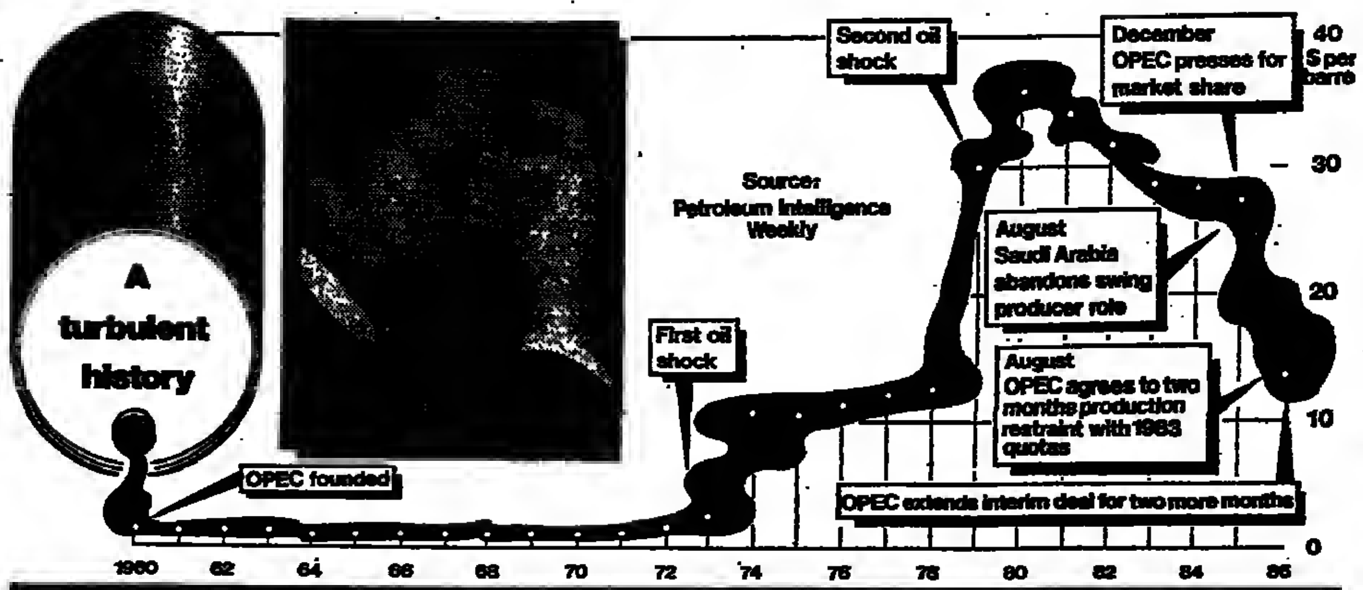
The big question, of course, is precisely how King Fahd intends to implement his policy. Does he feel that the complexities of Middle East politics should over-ride the technical aspects of oil price bargaining?

Sharply lower oil prices, and Saudi Arabia's contribution to that decline, have already had a considerable impact on the stability of the region, the full consequences of which have yet to be seen.

It is felt most obviously and immediately in the six-year war between Iraq and Iran, which is today as much an economic slugging match as it is a military contest. Iran has small foreign currency reserves and no substantial international backers. Iraq, while also without reserves and additionally deeply in debt, does have the financial support of Saudi Arabia and Kuwait.

With Iraqi air attacks having severely reduced Iran's exporting capacity during the past three months, any further moves within Opec to push down the price of oil could have serious implications for Tehran, where petrol rationing is already in force.

King Fahd's aim has been to balance his kingdom's domestic revenue requirements against the risk of pushing other major producers into more severe economic difficulties. The fear, often expressed privately in Riyadh, is that if Iran feels it has little to lose it could attempt to extend the war across the Gulf or seek to deter shipping from entering the Gulf through the Strait of Hormuz.



There has been in the past weeks a worsening of the tanker war. Iran has responded to the cut in its exports from 1.6m barrels a day (b/d) to about 800,000 b/d by stepping up its attacks especially on Kuwaiti vessels, and broadening the range of its operations.

On October 17 a Kuwaiti-chartered product tanker Five Brooks was attacked by an Iranian gunboat in the Strait of Hormuz, the most southerly attack since the start of hostilities. In Riyadh it is feared that it will only be a matter of time before Saudi-registered and chartered vessels receive similar attention.

Tha International Association of Independent Tanker Owners warned last month that more attacks in the Strait of Hormuz could force its closure, with tanker owners unwilling to risk entry.

It is not easy to assess the extent to which such fears have influenced Saudi Arabia's oil policy, but there is little doubt that King Fahd has been apprehensive about the extent to which his country and Iran have been at loggerheads during recent Opec meetings.

Should Sheikh Yamani's dismissal be interpreted in Tehran as a conciliatory gesture, it might have at least a short-term beneficial effect for the more nervous members of the Saudi royal family.

Equally it may pave the way for King Fahd to make reassuring noises at the annual summit meeting of the Gulf Co-operation Council in Abu Dhabi next week.

The GCC groups Saudi Arabia, Kuwait, Oman, the United Arab Emirates, Qatar and Bahrain. In tha wake of Sheikh Yamani's departure, the Oil Minister of Oman was quick to ask for oil issues to be placed top of the agenda at the summit, even taking precedence over security.

Perhaps unfairly, Sheikh Yamani has become associated in the minds of some Arab governments with a hard-nosed, insensitive Saudi policy to the problems of others. But although he has certainly wanted higher oil prices, he has been much more pessimistic about the extent to which this is possible. Demand for Opec crude remains depressed at about 17m b/d, not much more than half the theoretical maximum output of the 13 member countries.

When the oil price settled this autumn at around $14 per barrel, many oil companies and Western governments began to see a growing identity of interest with the Saudi oil strategy as it was then expressed by its Oil Minister.

Sheikh Yamani repeatedly said in the last 12 months that he would like to see the oil price stabilise at around $18 per barrel if this could be done without excessive sacrifices of production by his country.

Privately, he let it be known that a price of around $15 per barrel might be the best that could be achieved unless Opec could end its year-long squabble about how to allocate limited production quotas between members.

A year ago King Fahd agreed to the policy pushing for increased market share, even though it was obvious to all observers that this would lead to a price war. The severity of the collapse which followed took almost everyone by surprise, although Sheikh Yamani clearly saw that it was the logical counterpart to a production free-for-all.

While the Oil Minister continued to urge a firm and long-lasting commitment to new quotas, King Fahd appears to have shown increased willingness to compromise. He endorsed the unexpected proposals from Iran this August for a temporary two months' revival of the defunct 1983 quota agreement.

The King then intervened publicly at the latest meeting in Geneva after Sheikh Yamani had again refused to endorse a temporary quota arrangement unless it was linked to a much longer term share-out of production.

The King, of course, prevailed, and it was significant that the final communique from this meeting attributed to Saudi Arabia the desire to return to a fixed price system, while militant Iran was given the credit for proposing a further temporary extension.

However the sacking of Sheikh Yamani by no means solves the King's essential dilemma. Higher prices cannot be achieved without production cuts and they will not be believed by the market unless they are part of a long-term agreement.

Sheikh Yamani may therefore have been sacrificed as a scapegoat for a policy which is seen to have failed, even though the real culprit is the law of supply and demand.

Perhaps the Saudi rulers hope that a new face will at least enliven the stale debates in Opec and so increase the chance of an agreement when Opec reconvenes in Geneva on December 7.

They may prove right, but it seems unlikely that the new Minister will have any major concessions up his sleeve, so the gamble may not come off. Not many experts in the oil industry are betting very strongly either way.

New Petroleum Minister in the old mould

Michael Field profiles Hisham Nazer

Hisham Nazer
"clever, confident, conceited," he was deputy oil minister

HISHAM NAZER, the acting Saudi Oil Minister, is a man with the stamp of his predecessor. He was described yesterday by someone who knew him well as "extremely clever and very self-confident, but with a slightly conceited air."

Like Sheikh Yamani, he is always immaculately dressed in a "slightly dandified" way. He has an excellent command of English, including the technical language of economics, and he speaks well in public, in the slow dignified manner that important Saudis seem to cultivate.

Along with his predecessor he has been for many years a prominent representative of the Hijaz region in the Council of Ministers, the Saudi cabinet. The Hijaz is the Western coastal region of Saudi Arabia, which 10 years ago was the home of most of the kingdom's businessmen and Western-educated civil servants.

As Minister of Planning, a post which he still holds, Hisham Nazer has a reputation for smooth organisation. He has good deputies, gives flawless and well-illustrated presentations to visitors and is always excellently briefed.

Whether or not he will be transferred to the Oil Ministry permanently is as yet unknown. It is known that he wants the job, for in any speculation over the future of Sheikh Yamani he has always been cited as the most likely successor.

On the other hand, when a Minister has previously taken over a colleague's job on an acting basis and kept his own post he has more often reverted to his original job than moved to the new post.

This pattern reflects the view of the Saud family that ministerial posts are careers rather than assignments. Provided a Minister does his job reasonably well, they see no reason to change the appointment.

If Hisham Nazer returns to his Planning job, a possible successor is Prince Saud al Faisal, fourth son of King Faisal and the present Foreign Minister, who was Sheikh Yamani's deputy at tha Oil Ministry in the early 1970s.

Prince Saud al Faisal has told friends that he does not want the job, but some members of the family would like him to have it. In addition, it is often said that Prince Bandar bin Sultan, tha prominent son of the Saudi Defence Minister who is ambassador to the US, has ambitions to be Foreign Minister.

Whatever happens, Sheikh Yamani's dismissal is likely to trigger a series of new appointments, which will probably be made gradually over the next six to 12 months.

Hisham Nazer graduated from the University of California in Los Angeles with an MA in political science and joined the Saudi Government as a legal adviser in the Ministry of Petroleum in 1958.

He went on to be assistant to the then Minister, the firy Abdullah Tariki, who was one of the founding fathers of the Organisation of Petroleum Exporting Countries in 1960. Six months after Sheikh Yamani took over the Ministry, in March, 1962, he was promoted to Deputy Minister.

He became President of the Central Planning Organisation in 1968 before the CPO was made a full Ministry in the cabinet reshuffle that followed King Faisal's assassination in 1975. In his new job he became one of the leading figures in the government.

Recently the Ministry of Planning has declined as a political force. Saudi development plans have never done much more than state the general direction of the kingdom's development and list an enormous number of projects.

Allocations of money to different sectors have regularly been revised upwards or downwards by huge amounts, even within individual budget years. Now that revenues are running at a sixth of their peak 1981 level, traditional plans have become irrelevant.

Discount in the kingdom forces sacking of stylish servant

Richard Johns looks back on the career of Zaki Yamani

RUMOURS of Sheikh Ahmed Zaki Yamani's dismissal or resignation as Saudi Arabia's Oil Minister have persisted for more than a decade. The more they proved groundless, the more the Minister became the dominant figure both in the oil market and in Opec. Neither will be the same again after his summary sacking.

Few men can have held office for so long as the man known as Zaki ("sweet" or "delicious" in Arabic) to his friends. He was appointed to the post in March 1962 by the late King Faisal to replace the radical Abdullah Tariki, one of the founders of Opec and a thorn in the side of the Arabian American Oil Company which runs Saudi oil production.

Mr Taiki had fallen out of favour because of his uncompromising idealism. By contrast, Sheikh Yamani was an adept realist, a long-term strategist.

As it beppened the Meccan-born jurist and Harvard post-graduate student had already disentangled Aramco from a case brought before the Moslem religious sharia court, which threatened the validity of its concession. Later be was to negotiate state participation in the giant concern, and finally a full takeover while maintaining good relations with the oil industry.

Sheikh Yamani's charm and charisma first made themselves felt worldwide in 1971 at the time of the first confrontation betweeo Opec and the major oil companies. Yet it was his later role as e moderate or restraining influence within Opec which established him as an international figure and indeed a statesman.

The voice of reason, sugaring the pill of ever-escalating price rises in the mid and late 1970s and constantly equating the interests of Saudi Arabia with those of the West, belonged to the Oil Minister.

The occasion of his dismissal may have been publicity given to a price discount offered customers in the wake of last week's Opec conference in Geneva, although it would not have contradicted the accord reached there.

A more substantive cause of his political demise related to one point in the otherwise convoluted Saudi Government statement heralding the final compromise which brought the protracted meeting to an end. That was the stipulation that an extension of the interim accord on the limitation and sharing of output until the end of 1986 should be dependent on the return to a fixed price.

Nearly all Opec delegates—not least Sheikh Yamani—realised that achieving such an objective could take years, rather than months. They regarded its inclusion in the communique as an aspiration rather than a firm commitment—but that view was not apparently shared by King Fahd and the Saodi ruling hierarchy.

Over the past year, the groundswell of opposition to Sheikh Yamani within the kingdom is believed to have mounted because the policy adopted by Opec last December aimed at recovery of market share went badly awry with the collapse of oil prices.

The policy was most vigorously espoused by Saudi Arabia and Kuwait, the only two Opec members capable of contemplating a drastic fall in per barrel revenues. It became the focus of increasing criticism in both states as economic recession tightened.

Although it can be assumed that Sheikh Yamani advised the Saudi King and senior princes of the risks involved in Opec's switch of direction, it was the ruling family who made the final decision. The publicity given to and stature established by Sheikh Yamani bas tended to obscure the fact that the Minister was essentially a servant, albeit one with considerable brilliance, implementing policies which in the last analysis were those of a tightly-knit group within e family.

It is perhaps surprising that Sheikh Yamani survived so long in a post of critical sensitivity for a state possessing about a quarter of tha world's oil reserves, when other essential areas of Government have been reserved for senior princes.

He was widely expected to be dropped or moved following the assassination in 1975 of King Faisal. The present King, who became Crown Prince at this point and the realm's chief executive, was known at that time to be very hostile to him personally. Yet it was decided that his skills as e negotiator and diplomat, his knowledge of the oil market and industry, and his bravura as an international public relations man were much too valuable to lose.

Since then although rumours of his impending dismissal have tended to lose credibility, animosity towards him has increased.

The dash which he has cut on the world scene has always been resented by more powerful but insular elements within the kingdom. Perhaps the crucial factor leading to his dismissal has been the enmity of Prince Sultan, the number three in the ruling hierarchy and Minister of Defence, and Prince Salman, Governor of Riyadh. Both men are full brothers of the monarch.

Sheikh Yamani is known to have been unhappy with the oil barter agreements reached involving the purchase of Rolls Royce-powered Boeing 747 transport aircraft in 1984 and Tornado aircraft from the UK earlier this year.

Two jealous commoners are also said to have been anxious for his downfall — Mr Mohammed Aba Khail, Minister of Finance, and Sheikh Hisham Nazer, Minister of Planning, an obedient fevourite of the King who has been appointed as ecting successor.

Two underlying factors have been common to the forces working to undermine Sheikh Yamani. One is e resentment among the dominant Nejdis from the central beartland of Saudi Arabia against the cosmopolitan Hejazis from the Western province. The second is envy over the image built up by a man who internationally receives more publicity than any other Saudi, including the King himself.

From this point of view Sheikh Yamani may have been his own worst enemy, because of the air of disaster and self-satisfaction thet be can convey. Undoubtedly the man who can cause the price of a barrel of oil to rise or fall by $1 simply by making a cryptic answer to e reporter's question is vain.

He is also e man of great kindness to those whom be likes as well as the possessor of e captivating charm. His subtly and shrewdness in dealing with people other than politicians and negotiators knows no bounds.

At the end of one Opec conference a handful of correspondents called for a briefing, were astonished to see him emerge from his suite with a reporter from the News of the World.

On the flight home the newshound approached me exultantly exclaiming: "I've got the lead story tomorrow." What is it?" I gulped. "The oil czar and the stars," he replied. Sheikh Yamani had talked with him for five minutes about his knowledge of astrology.

Certainly the sacked Minister will not lack the means to pursue his interests, having amassed a great fortune as befits a loyal servant of the House of Saud. He enjoys homes in Jeddah, Riyadh, London, Sussex and Sardinia at the least, as well as part-ownership of a very large ocean-going yacht.

Business pursuits will no doubt occupy much of his time and it was speculated that he might become the Islamic representative on the International Court of Justice. He will also look forward to devoting even more time to his young children

No change in Saudi oil policy—prince

SAUDI ARABIA'S interior minister said yesterday that the removal of Ahmed Zaki Yamani from his long-held position as oil minister does not signal any shift in the country's oil policy, Reuter reports from Paris.

"There is uo change in Saodi Arabia's (oil) policy. Our policies do not change when the personalities are changed," Prince Nayef ibn Abdelaziz said.

Prince Nayef was speaking after a 30-minute meeting with President Francois Mitterrand on the last day of a four-day official visit to France.

When asked why Yamani had been replaced, the prince would only say: "This is somethiog that happens in every country of the world."

King Fahd issued a decree last night naming Planning Minister Hisham Nazer as acting oil minster in Yamani's place but the decree gave no reason for the decision.

In Jakarta, Indonesian Mines and Energy Minister Subroto said the replacement of Yamani would bring little change within Opec.

"Of course his replacement will slightly change Opec's face, but I believe the new minister will be no less competent," he said.

"Of course, Opec is not dependent solely on Mr Yamani. The main thing is to continue our efforts to foster unity for the benefit of oil producers and continue our responsibility to supply oil to consumers at fair prices," he stated.

Subroto, e past president of Opec, has been one of the group's leading moderates along with Yamani. Subroto is one of three oil ministers who have been given the tricky task of defining the criteria for permament production quotas among Opec's 13 members.

Iran'e Kayhan newspaper reported yesterday: Ahmed Zaki Yamani represented a policy designed to protect western interests.

"Radicals and factions with Arabist tendencies in the Arabian leadership, headed by Crown Prince Abdallah, pressed for his removal . . .

"Yamani's policies and their natural consequence of the sharp fall of oil prices hava aggravated Arabian economic problems and stalled many projects," it added.

UK NEWS

Teachers offered 16.4% rise with firm conditions

BY PETER RIDDELL, POLITICAL EDITOR

TEACHERS throughout Britain are being offered average 16.4 per cent pay increases in two stages, next January and October, although only if there is a firm deal on a new pay structure and conditions of service.

These terms were announced in the House of Commons yesterday by Mr Kenneth Baker, the Education Secretary, and Mr Malcolm Rifkind, the Scottish Secretary.

Mr Baker stressed that matters "must now be resolved on all the terms and conditions set out. The Government will not be prepared to amend them further, or to make any additional resources available."

He emphasised that the conditions involved a pay structure with differentials reflecting the varying responsibilities of teachers and a clarification of duties which must be carried through into contracts of employment.

During the lengthy Commons exchanges Mr Baker repeatedly stressed that his intention was not to derail the forthcoming talks between the employers and unions at Nottingham, but to provide a solid framework for these negotiations.

He hoped there would be a successful outcome and maintained that the Government's conditions would have to be met if the extra money was to be paid.

Mr Baker said he hoped a deal could be agreed and not statutorily imposed. But he left open the option that such conditions might be included in the Bill in the coming parliamentary session.

The Government intends in England and Wales, although not in Scotland, to repeal the Remuneration of Teachers Act and to introduce new machinery involving an interim committee to advice the Education Secretary on conditions of service and the distribution of pay, within available resources.

The proposed deal involves an addition to existing public expenditure plans for education in England, Wales and Scotland of £132m in the current financial year and of £550m in 1987–1988. This is roughly double what was previously on offer. in England and Wales.

Central government grants to local education authorities will be increased by £84m in the current year above existing levels and by £230m in 1987–1988.

This means, that more than half the extra cost will come from rates (local property taxes) and Mr Baker estimated that rates would increase by between 2 and 4 per cent compared with the decisions that local authorities would otherwise have taken.

US falls short of tunnel target

By Paul Betts and Andrew Taylor

US INVESTORS in Eurotunnel, the Anglo-French channel tunnel consortium, are understood to have subscribed £15m to the consortium's £206m international share placing, slightly better than expected but still below the original US target of £20m.

Eurotunnel announced on Wednesday night that it had successfully concluded the placing although it has not provided a breakdown of the amounts individual countries contributed.

About £75m is thought to have been raised from more than 40 British institutions with French institutions raising a similar sum. Originally the consortium had expected to raise about £70m each in Britain and France.

The £20m the group had planned to raise in Japan was thought to have been exceeded while West Germany also raised more than expected. Contributions from Belgium and Canada were said to be satisfactory.

Banque Indosuez, one of the French banks handling the placing, said in Paris yesterday that some US investors had been dissuaded from investing until the British and French Governments officially ratified the treaty allowing the channel tunnel to go ahead.

The bank said that adverse press comments in the UK and the campaign by Flexilink, a consortium of ferry companies, ports and environmentalists opposing the tunnel, had also undermined investor confidence.

Mr Andre Bernard, the French co-chairman of Eurotunnel, said that the consortium had overcome a "fundamental obstacle" by completing the £206m placing.

French supporters of the tunnel yesterday were confident that Eurotunnel's much larger £750m share sale planned for next year would succeed.

Banque Indosuez said that by next summer political risk would have receded while the newly appointed management team at Eurotunnel would be better equipped to deal with attacks from opponents.

The French Government would also have taken a decision on whether to construct a high-speed train link to the tunnel

Boots plans chain of children's stores

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

BOOTS, the chemist which sells everything from streptomycin to budgie seed, spread its wings yesterday with a plan to launch a chain of specialist children's retail outlets.

The scheme, piloted by a wholly-owned subsidiary, Childrens World, cloud lead to the opening of 30 to 40 edge-of-town stores around the UK in the next five years, the company said yesterday.

Development of a chain on that scale would cost more than £100m, according to Mr Alan Ripley, managing director, who also sits on the parent's retail division board.

The first three Childrens World stores, selling clothes, toys, books, junior bedroom and nursery furniture, maternity clothes, baby goods and snacks, were expected to open early next year in Dudley, Worcestershire, Chicklewood, north London and Leicester. They would each provide about 30,000 sq ft of selling space.

Two further outlets would be ready by next autumn and four openings were planned for the spring of 1988.

The launch would be supported by a marketing and promotion package worth some £2m in the first year.

A large proportion of the products on offer would be sold under the Childrens World label and about 90 per cent of the clothes would be made in Britain.

Fashions, which offer particularly high margins, would take up about 40 per cent of selling space.

Outlets would also feature the shops-within-shops which have become common in department stores. Concessionaires included Benetton 012, Snips Hairdressing and Clarkes

Plan to change newspaper bargaining

By Philip Bassett, Labour Editor

NATIONAL newspaper proprietors plan to end all industry-wide bargaining with print unions.

The Newspaper Publishers' Association's move marks a further shift in the balance of power between unions and management in the rapidly changing national newspaper industry and is a significant change in the association's role.

The NPA council has decided to end its industrial relations role – the principal reason why it was originally established 80 years ago.

The association has written to all the print unions informing them that "no useful purpose would be served in continuing national negotiations" over wages and conditions. The unions have acknowledged the move and are to consider it at their executive meeting next week.

ICI shrugs aside fertiliser problems

BY TONY JACKSON

IMPERIAL Chemical Industries yesterday shrugged aside problems in its important fertiliser business to produce the best third-quarter figures in its history. Full-year profits are now expected to regain the £1bn level seen in 1984.

Pre-tax profits for the quarter were £256m, 41 per cent ahead of last year's £182m. This was despite a move into loss by the fertiliser business, which made £99m profit in the whole of last year and £136m the year before.

The fertiliser market has become increasingly difficult throughout the year. Norsk Hydro of Norway, the world leader in the market, last week announced a third-quarter loss in fertilisers of NKr 99m (£9.5m) against a profit last year of NKr 249m. Both ICI and Norsk Hydro are investing heavily in modernising UK fertiliser plants

Mr Trevor Harrison, ICI group treasurer, said: "Agriculture is very depressed in a number of important markets. Lower feedstock prices and overcapacity have meant that the price of ammonia has tumbled. Because the Soviet Union is short of hard currency due to the fall in the oil price, it has been selling fertiliser into Europe and the UK in particular."

However, the fall in oil prices has helped margins in ICI's petrochemical and plastics business where cheaper raw materials have greatly improved profit margins. ICI said it had also been helped by sterling's weakness against the D-Mark, though this was partly offset by the weak dollar, which affected results from the group's important pharmaceutical division.

Details Page 18

Austin Rover workers accept two-year deal

BY HELEN HAGUE, LABOUR STAFF

THE Austin Rover Group's 26,000 hourly-paid workers have voted by more than two to one in a secret ballot to accept a two-year pay deal, recommended by union negotiators.

Shopfloor workers at the state-owned car makers' 11 plants voted by 14,265 against 6,849 to accept the company's pay and conditions package.

According to Austin Rover, the deal is worth about £21 a week over two years. It is made up of a 3 per cent across the board grade increase in each of the two years, plus the potential to earn an extra £10 a week through "a quality bonus."

In addition, workers will be able to earn up to £7.50 a week through productivity bonuses.

The new deal, which runs from November 1 to November 1988, is the second successive two-year agreement struck between Austin Rover and its manual unions.

It includes a plan to harmonise basic terms and conditions for hourly-paid staff and white-collar workers. A joint union/management working party is to be set up to develop a single pay structure covering blue and white-collar employees.

Mr Norman Haslam, Austin Rover's employee relations director, and Mr Mick Murphy, who lead the trade union negotiating side, both hailed the plans to harmonise status as "a first for the industry."

Industry predicts PC upsurge in offices of developed world

BY DAVID THOMAS

FT CONFERENCE
Professional personal computers

HALF the office workers in the developed world would be using personal computers by 1995, Mr Mike Swavely, Compaq's vice president for marketing, predicted in his keynote address to the FT's fourth professional personal computer conference yesterday.

In the US there are about 8m business PC's or about 14 per cent of the potential market. Some 3m of these were installed in the last year indicating strong market growth.

Looking ahead to 1995, personal computers would be performing many tasks now done by mini computers. Better communications would allow PCs to be linked together to provide work group capabilities such as electronic mail.

Users could an expect to see continued price reductions at the rate of about 15 per cent to 20 per cent a year. In 10 years' time only about a quarter of PCs would be sold direct by the manufacturer. The rest would be sold through computer dealers.

Artificial intelligence techniques would be integrated in today's standard applications such as word processing, graphics and spread sheets. Work performed on today's expensive scientific work stations would be done by PCs and other direct channels.

Direct selling would concentrate on mainframes and integrating PCs into a company's total information technology requirements. IBM would continue to be the market leader but it would never gain control of the PC industry.

Mr Brigitte Morel, managing director of Intelligent Electronics Europe, said that in Europe PCs were being used by about 6 per cent of the potential professional users. The figure would grow to about 20-25 per cent by 1990.

This year PC hardware sales in Europe would grow by 38 per cent by volume and 18 per cent by value. Software sales would grow by 35 per cent by volume and 21 per cent by value.

Factors fuelling this growth included price cuts; increased computer literacy; the availability of software in local languages and the greater acceptance of PCs in large companies. The UK was an early leader in the use of PCs by large companies but West Germany was now following suit.

The European market was fiercely competitive with about 20 companies with a market share of at least 1 per cent each. A new factor was cheap clones from South East Asia which now held about 6 per cent of the European market.

Mr Robert Therrien, technology analyst at PaineWebber, predicted that the next boom in PC sales in the US would be in 1988 to 1989. Europe would lag about 18 months behind that.

The boom would be because PCs would be more usable. Software which was relatively user-hostile would be transformed

Mr Jon Shirley, president of Microsoft, agreed that software was on the verge of a big leap forward. He said that in three years almost all business PCs would be using software programmes not available today. Next year his company would be introducing a new operating system so that machines using the standard 82086 microprocessor *could* be *used more intensively*.

Mr Paul Helminger, managing director of ComputerLand Europe, said there was an increasing gap between the manufacturers, who were technology-driven, and the users, who were concerned simply to increase their efficiency.

Mr Ninian Eadie, director of ICL's office systems division, said the impression had spread that most PCs were bought through high street retailers. The reality was different: most PC business was still done by the big companies. Some 40 per cent of ICL's revenue now came from small systems,

UK NEWS

Janet Bush reports on increased gilt-edged competition

Market snaps up Treasury stock

THE oversubscription of this week's tender of UK gilt-edged stock clearly demonstrated the advantage to government funding of 27 highly capitalised market makers who have the ability to take large amounts of stock on to their books.

It is notable that the successful placing of this week's offering was achieved despite fragile sentiment and almost non-existent retail demand.

The bulk of the £1bn 10 per cent Treasury Convertible Stock 1991 appears to have ended up in the hands of primary dealers, some of whom will no doubt be holding stock at a loss in a gently easing market. Under the new market structure inaugurated on Monday, the responsibility for feeding fresh stock to retail investors will most likely lie with market makers rather than the Bank of England.

Mr Stephen Lewis, senior economist at brokers Phillips & Drew, said: "One wonders whether there will ever be a situation when the Bank of England has a tap on its books."

It is a strong possibility that market makers' appetite for stock, backed up by the capital to absorb any losses inherent in holding gilts on their books, could mean that almost every tender of fresh stock will be oversubscribed.

Mr Lewis mused on the fact that the Bank of England can decide how much of a fresh stock is allotted to which market makers and therefore the ability of the Bank to manipulate the whole system. "The going hasn't got tough yet but the Bank is not going to see its friends suffer," he said.

This implication is certainly not lost on foreign houses operating in the UK gilt market for the first time, some of whom are concerned that the Bank's overall responsibility for the health of UK institutions should not translate into favouritism in operating the gilt-edged market.

At least two US market makers played a significant part in this week's tender. These primary dealing houses were believed to have bid for a large amount of stock, partly to satisfy demand from US investors who found the yield attractive in comparison to equivalent short-dated bonds in the US market.

The two houses appear to have marketed the stock to their US clients in a currency-hedged package, cutting out the risk of weakness in sterling.

There appeared to be no consistency in demand for this week's offering. The stock proved popular to those houses who had evaluated the unusual dual convertible options to be a good buy but did not find such an enthusiastic reception from other houses who preferred to look at the gilt on its merits as a short-dated stock which seemed rather expensive.

Until the Bank of England makes its decision on whether to introduce an auction system into the UK gilt market after a series of experiments, probably early next year, the parallels with the US Treasury bond market will only be partial.

The habit of market makers in the US of driving down prices ahead of a tender spilled over into the UK market this week but there was no sign of one house attempting to take out the whole issue to squeeze its competitors.

There was always bound to be a measure of natural caution in the first week of the new market but the constant breakdowns of the Stock Exchange's Topic system which displays price quotations militated against trading aggression and client interest.

The gilt-edged market is not dependent on the Stock Exchange's systems to trade but uses Topic as a notice board for prices. Primary dealers who do not already display prices on other systems are getting frustrated and many are already seriously considering booking pages on Reuters and Telerate.

CBI urges shorter merger inquiries

BY DAVID CHURCHILL

THE time limit for merger investigations carried out by the Monopolies and Mergers Commission should be reduced from six to four months, the Confederation of British Industry said yesterday.

The CBI, in its evidence to the Department of Trade and Industry's review of competition policy, points out that the present period of merger referral and investigation effectively stretches to nine months or more a year. "This is longer than most other major industrial countries and must be reduced," the CBI states.

It believes that the length of investigations could be reduced by changes in the commission's procedures. "One practical step would be to end the present practice of requiring all witnesses to attend in person," it says. "Given that the commissioners are part-time the simple scheduling of meetings causes unnecessary delay."

The CBI also suggests that more full-time commissioners should be appointed. "Compared to many countries the UK system of part-time members of the commission makes it harder for commissioners to develop the expertise needed to cope with continuous changes in technology and market conditions," it says.

The CBI has found considerable concern among CBI members about the present state of UK competition policy. "If UK policy is to keep pace with developments in global markets more fundamental changes will be needed," it says.

It believes that in certain industries companies must be of sufficient size if they are to achieve the scale of investment in process and product innovation to compete with Japanese or US competitors. "An inability to match competitors on global markets can mean rapid losses in market share in the UK," its evidence suggests. "When considering levels of concentration in the domestic market, therefore, it is necessary to consider the dynamic effects of such losses in competitiveness."

Anglia invests $1m in Israeli TV venture

BY RAYMOND SNODDY

ANGLIA Television has joined a consortium planning to apply for one of the franchises for the proposed new channel of commercial television in Israel.

Anglia, one of the middle-ranking Independent Television (ITV) companies, is taking a 20 per cent stake in a consortium being put together by Mr Doron Abrahami, a London-based Israeli documentary producer who has worked for Granada, Thames Television and Channel 4.

The franchises, to be awarded for different days of the week, are expected to be advertised next year with a target launch date 1988. Anglia's stake of $1m (£710,000) is the biggest single foreign investment in the consortium.

The Anglia move is an example of the increasingly international outlook of Britain's commercial television companies. ITV plans to launch Superchannel, its satellite channel for Europe on January 30.

Granada, one of the five network companies, is believed to be having talks with the French publishing group Hachette on the possibility of joining a consortium to bid for TF1, the French first television channel.

The channel is being privatised by the French Government. Granada already owns a 3 per cent stake in Canal Plus, the French subscription television channel, with an option to increase it to 5 per cent.

Mr David McCall, chief executive of Anglia, believes the Israeli move will prove an interesting diversification for the company.

● Mr Richard Northcott, the British retailer who built up the Dodge City do-it-yourself chain, has succeeded in his bid to buy Embassy Home Video from Coca-Cola for $85m. Mr Northcott, a 40-year-old accountant, who is chairman and chief executive of Nelson Holdings International of Toronto, announced yesterday that it has completed the purchase ahead of the October 31 deadline.

Nelson is an example of the growing role Britons are now playing in the US film and video industry.

UK NEWS

Close battle over stock exchange vote on Isro merger

BY CLIVE WOLMAN

NEXT MONTH'S vote of London Stock Exchange members on the proposal to merge and form a joint exchange with Isro, the body representing the multinational financial conglomerates, is becoming a closely-fought battle with the odds only slightly in favour of the proponents of change.

The two constitutional amendments, which have been proposed by the council led by chairman Sir Nicholas Goodison, require the support of 75 per cent of those voting at a meeting or subsequent secret ballot on November 11 and 12. Nearly all the 46 council members are participating in a concerted information campaign of speaker meetings, publicity literature and tapes, aimed at explaining the council's position to the exchange's 5,281 members who are eligible to vote.

The main issue for the opponents of reform is the terms of the compensation scheme by which individual members will receive £10,000 each when they reach 60 or retire (if later), in return for surrendering ownership and control of the exchange to Isro and stock exchange member firms. Another constitutional amendment which proposed a different compensation scheme was rejected in June 1985 when it won only 73.8 per cent of the votes.

On Wednesday, the members of Isro, the International Securities Regulatory Organisation, voted in favour of the merger by 164 votes to one with 22 abstentions. The stock exchange opponents of the merger are now citing the Isro vote as further evidence of their claim that Isro members are being granted entry to the stock exchange and access to its facilities on the cheap.

According to Mr Richard Bradshaw, a partner of the stockbroking firm Vivian Gray who was one of the members of the anti-reform steering committee last year: "We cannot be steamrollered into this merger by Isro. Wa are still the proprietors of the exchange. Their offer is derisory."

The biggest blow to the opposition camp has been the defection of Mr Jeremy Lewis, of Seymour Pierce, who topped the 1984 poll to the stock exchange council as the leading critic of the pending changes.

"I do not like the terms of the agreement with Isro. The council has given away too much," he said this week. "But the protestors are becoming like King Canute. Isro will go away and form its organisation if we reject the merger and it is important to have a single market place."

European shipyards 'could be wiped out'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE EUROPEAN shipbuilding industry could be virtually wiped out unless EEC industry ministers agree to raise limits on public subsidies, British Shipbuilders (BS) said yesterday.

BS is planning a campaign to persuade industry ministers to raise subsidy limits to levels which the corporation says will allow European shipbuilders to compete fairly with Japanese and South Korean yards.

Board members have already had talks with officials of the Trade and Industry Department and the European Commission in an attempt to influence a final decision on subsidy levels due to be taken by the Council of Ministers on November 18.

The Council has given approval in principle to a draft directive on shipbuilding aid produced by the Commission, which proposes a common ceiling on subsidies throughout the EEC, with a strict monitoring programme to prevent cheating.

This directive will come into operation at the end of this year, replaying the existing rules, under which direct subsidies have been progressively reduced, contributing to reductions in shipbuilding capacity through Europe.

The BS campaign is aimed at persuading the Council to accept the results of a survey carried out for the Commission, which indicated a gap of up to 46 per cent between current ship prices and the European costs.

This compares with a limit on direct subsidies payable to BS of 20.5 per cent of contract prices, although the corporation's losses are also met by the Government.

BS said the result had been that the £70m a year intervention fund established by the last Labour Government to subsidise shipbuilding has been consistently underspent.

Directors pessimistic over economic outlook

BY JANET BUSH

MORE THAN half of Britain's top directors find the Government's economic policies attractive to business but just under half are less optimistic about the UK economy than they were six months ago, according to a survey by the Institute of Directors published today.

The poll of a sample panel of 200 leading company directors was the first since the political party conference season which ended earlier this month and highlights the failure of the opposition parties to win the confidence of business leaders.

Mr Graham Mather, head of the IoD policy unit, said: "There is a sharp gap between the credibility of Government policy, which 80 per cent of directors find credible whatever their views on its attractiveness, and the opposition. Both the Social Democratic Party/Liberal alliance and the Labour Party must be disappointed that their party conferences have not improved business perception of the credibility of their approaches to economic policy."

The survey results show the number of directors who do not find the policies of the Alliance credible has risen from 53 per cent in August to 65 per cent. As many as 67 per cent find Alliance policies unattractive to business compared with 58 per cent two months ago.

Despite the general confidence in the Government's economic policies, 48 per cent of directors are now less optimistic about the UK economy as a whole than they were six months ago.

The survey is available from the Policy Unit, Institute of Directors, 116 Pall Mall, London £5.00.

TECHNOLOGY

How to cast zinc in a money-saving mould

Peter Marsh examines new techniques which can cut the cost of component production

MANUFACTURING engineers are continually trying to find ways to reduce the complexity, and therefore the cost, of the hundreds of individual parts that comprise even the most mundane industrial product.

In the electronics and instruments industries, with their emphasis on high-precision components, the drive in this direction is beginning to favour new die casting methods. These can produce items made to close tolerances and which require fewer manufacturing steps than conventional production techniques.

To take one example, Printed Forms Equipment, a UK maker of paper-separating mechanisms for printing equipment, used zinc casting methods to reduce from 47 to three the components required for its products (see diagram).

The three castings, made for the company by Kenlows Diecasting Products of Hoddesdon, Hertfordshire, are complex three-dimensional parts made to high accuracies and containing intricate arrangements of holes end other features. The items they replaced were mainly a mixture of steel ond brass pressings and other parts that had to be fashioned using machine tools.

As a result of the fewer parts and reduced assembly expenses, the cost of the final manufactured item was reduced by 90 per cent, according to the Zinc Development Association (ZDA), an umbrelle body for the zinc industry in the UK.

The association, which is ottempting to increase the use of zinc cast products in the instruments and electronics industries, says it is today relatively easy to make, using zinc die casting, small intricately fashioned parts in which tolerances are as little as one hundredth of a millimetre.

In another example, cited by the ZDA, Rank Xerox, the office equipment manufacturer, used to make a precisely fashioned component by machining it from a large block of aluminium, an intricate and lengthy process. Later, after the company turned to die casting to make the same part, the production cost was reduced from £60 to £3.

Similarly, Burroughs, the computer company, at one time thought about machining from aluminium a set of components used in cheque-sorting machines. It soon dropped the idea after realising that this would cost about £21 per set as *opposed to the £4.50 involved* in making the parts by casting zinc.

Other electronics and computer companies in the UK which in recent years have increased their use of zinc die-cast products include Racal, Plessey and IBM.

Many of the individual successes for the die casting *industry involve small, mundane* parts which hardly anyone notices yet which do vital jobs. British Telecom uses in its telephone exchanges thousands of tiny flanges, each costing only a few pence. These are made by IMI Precision Diecastings of Birmingham, and contain a highly intricate pattern of holes together with a precisely *made thread for* securing another component.

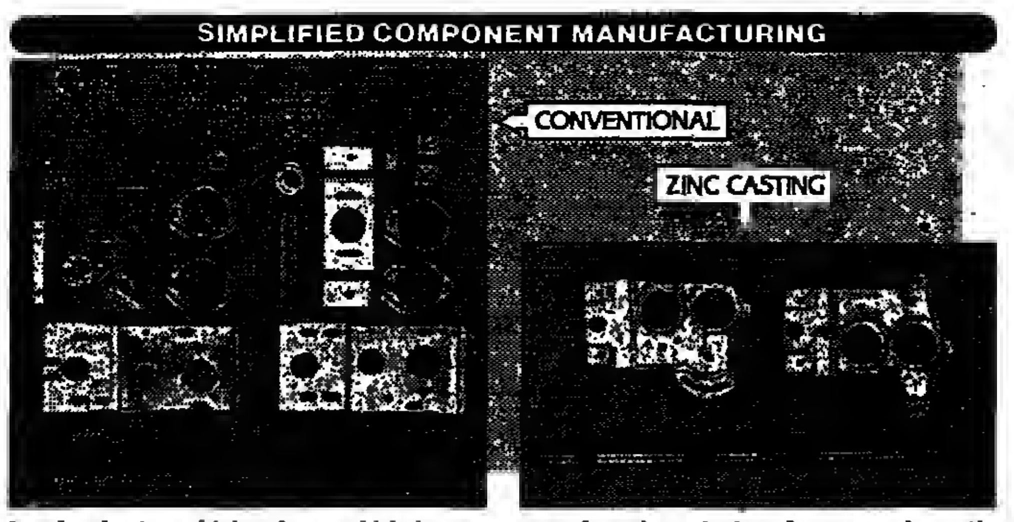
Even as recently as ten years ago, producing such highly accurate parts with die casting techniques would have been difficult. There would have been little option but to make the component roughly to the dimensions required, possibly by pressing, and then to machine it to shape.

Later, other *parts would have* to be added, perhaps by brazing or by fastening items with screws. All these processes are fiddly, time consuming and expensive. A range of new casting techniques has, however, improved the position.

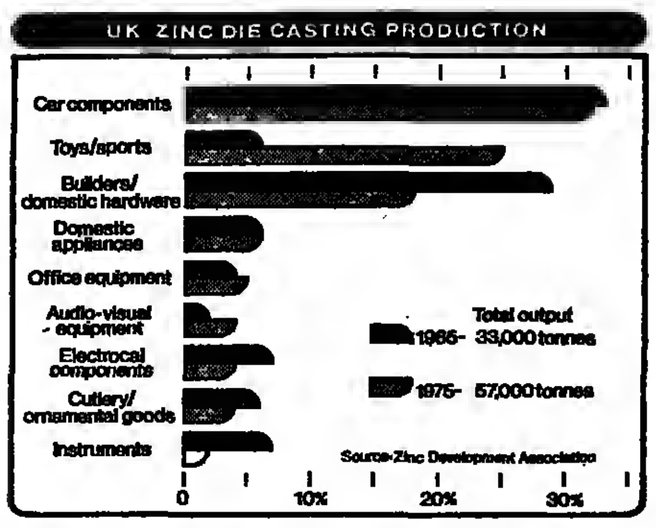
The casting industry uses more precise methods to reduce the temperature of the molten metal that is poured into a die and which, as it cools, takes up the die's shape. These better methods are partly the result of computerised techniques used to design in an individual die the optimum layout of the channals through which water passes to cool the metal.

Other advances include computerised techniques to design die shapes, improved alloys and advanced control methods to make possible more intricate cast products with thinner cross sections.

SIMPLIFIED COMPONENT MANUFACTURING



UK ZINC DIE CASTING PRODUCTION



Pressure die casting output ('000 tonnes)

		1985	1984	1983	1982	1981	1980
US	Al	—	676	591	491	525	503
	Zn	—	278	297	266	304	314
Japan	Al	492	440	391	375	389	369
	Zn	—	—	—	104	121	119
UK	Al	42	44.5	20.3*	30.2*	35.2*	42.7
	Zn	33.5	35.9	38.4	34.9	37.7	41.4
W. Ger.	Al	184.7	170.3	153.4	144.5	146	153
	Zn	76	78	80	79	85	92

Source: Zinc Development Association of the UK. Al=Aluminium, Zn=Zinc.
* Low figures do not include all of the industry.

Diversification vital to market revival

FINDING new applications for zinc die casting is vital for the zinc industry worldwide. While output of the aluminium die casting business has generally been expanding, due largely to increased uses of aluminium in cars and other consumer and industrial products, output of zinc products is in decline in much of the developed world (see table).

This is partly due to substitution of other materials, plastics for instance, in products such as toys and building fittings for which zinc has traditionally been used. In the car industry, where zinc fittings were used in large quantities, uses of the metal have decreased as part of the drive to cut the weight of vehicles.

In Britain, where output of zinc die cast products fell from 57,000 tonnes in 1975 to 33,000 tonnes last year, the downturn is explained partly by the declining fortunes of UK toy producers such as Lesney and Corgi which in the 1970s were substantial users of zinc.

Another factor is technological change in the die casting industry itself. Due to improvements in technology as a result of which cast products can be made with thinner sections, components today often contain 25 per cent less metal than the same parts made 10 years ago.

In the UK zinc die casting industry, which has a total *output worth about £70m* annually, relatively low-value items made to low tolerances account for a large proportiou of production. Such items, including building and domestic hardware, toys, sports goods, domestic appliances and cutlery, accounted for 47 per cent by weight of the UK zinc die-cast market last year.

But while production of such items has been falling with the overall decline in the industry, output of higher-value products, used in the electronics and instruments industries, has increased. In these two areas, total production increased from 3,140 tonnes in 1975 to 4,680 tonnes last year. The tonnage as a proportion of total UK zinc output climbed from 6 per cent to 14 per cent.

According to the Zinc Development Association (ZDA), similar trends are taking place in other parts of the developed world. In other countries, however, precise figures showing the industries which use zinc cast products are not normally available.

The zinc industry claims that cast products made from zinc are especially suitable for making high-value, close-tolerance items. The lower melting point of zinc compared with aluminium makes it a less difficult metal to work with in casting.

As a result of this, tolerances using zinc casting can be smaller compared with aluminium casting. This follows from the reduced likelihood (due to the lower temperature of the metal in the die) of the metal damaging the mould during a casting operation, and so leading to less accurately made components.

After a recent marketing survey, the ZDA estimates that the potential exists to produce a further 2,000 tonnes a year of zinc-cast items for the UK instruments and electronics industries. If these figures could be realised, the zinc die-cast business could increase production by an overall 10 per cent.

Although many zinc casting companies in Britain have gone ont of business due to the declining fortunes in the industry, those which have emphasised work in the higher-value market areas have generally done well. Avon Diecasting of Birmingham has increased annual sales from £600,000 in 1980 to £2.4m today, with production rising from 400 tonnes a year to 1,200 tonnes. Much of the extra production has been for the electronics industry.

Other companies which specialise in producing parts for the electronics industries include Dyson of Milton Keynes, Pressurecast Products of Windsor and Bridgend-based Associated Weston.

Low-priced gas from a portable cylinder

NITROGEN GENERATION on site for as little as a tenth of the price of the purchased gas can be obtained from systems offered by Permea Inc, a subsidiary of US chemicals giant Monsanto.

The systems use hollow fibre membranes to separate air into a nitrogen stream and an oxygen-rich stream.

WORTH WATCHING

Edited by Geoff Charlish

Permea claims the systems are up to four times more efficient than previously available membrane separators.

System capacities are from three to 30,000 cubic metres *an hour and units can be* arranged to give specific purities, for example, 2 per cent oxygen content for the storage of apples. More from Permea, care of Monsanto Europe in Brussels on 02 761 4315.

Permea Nitrogen Generation Cylinder

SAW WIRE developed by a subsidiary of Degussa, the Frankfurt, West German company, consists of a rustproof steel wire "armoured" over its complete surface with metal carbide chips.

The company, Mahler Dienstleistungs of Esslingen, claims that the wire is suitable for cutting all material, from soft to ultra-hard, and can make 2.5mm cuts in any straight or curved direction. More from Degussa in Germany on 69 218 2860.

FROZEN CHICKEN is being produced at 4,000 pounds an hour at Buxted Poultry in the UK using a single drum, spiral freezer from APV Parafreeze of Thetford, Norfolk (0842 62511), and the latest in automatic machinery for portioning chickens.

The line, believed to be the most up to date in the UK, includes a computerised system that selects chickens by weight, automatically portions them and then feeds them to the APV freezer and a computerised weighing system.

The old line was operated manually and produced about 1,800 lbs of frozen chicken per hour.

AN ALARM *radio system* from ICS of Hounslow, Middlesex, UK, (01-755 2501) consists of a mains-powered base station and up to 99 battery operated out stations.

The base station monitors all the transmitter frequency channels, responding when any of the out station units is ectivated manually or by a security or fire sensor. The base station weighs only 3 kg and simply needs connection to the mains. A battery takes over for en hour in the event of mains failure.

IBM COMPATIBLE computers have been introduced by the General Electric Company of the US for production line use.

The GE unit, compatible with the PC/AT personal computer, is a fully industrialised system for the factory floor. Called Gimstar I, it is designed as an automation cell controller at the lower levels of computer integrated manufacturing (CIM). It performs such functions as data acquisition, logging and reporting.

Two of British Airways fiercest critics.

At SAS, we've fought long and hard to give business travellers better service and greater comfort.

We're not alone.

One competitor has raised its standards dramatically in the past few years.

At this point, British Airways should stand up and take a bow.

They might find it more comfortable than sitting down.

When we set out to improve our service, we knew exactly where to start.

Your knees were staring us in the face.

After all, they're the fiercest critics of airline comfort. The first to complain if your style is cramped.

We duly expanded our leg-room – and your knee-room. Without expanding the price. You still pay the normal economy fare.

BA gives you less knee-room. Without reducing the price.

As a competitor, they're closing in.

Trouble is, it feels as though their seats are, too.

SAS
The Businessman's Airline

MANAGEMENT

MOST Western countries have dozens, if not hundreds, of fledgling science-based companies which sell products or ideas based on highly promising technical skills. Yet very few of them develop to become corporations of an international stature.

The reason, it is commonly *suggested, is that these* concerns lack both the motivation and the management techniques required to master the far from trivial transition from small company to major player.

There is the danger, too, that after a small company has raced ahead by developing a novel technical idea, it will find difficulty keeping apace technologically with competitors that the company's initial success has attracted to a particular market.

A *study just* published by Philip Modiano and Orna Ni-Chionna, management consultants from McKinsey and Company's London office, has expanded these points to look at the particular problems for mid-sized high-tech companies which wish to grow into large concerns.

Among their conclusions, reached after examination of 16 high-growth, UK-based electronics concerns, are that:

- The transition to e major player is far from easy. Few companies appear to be eble to break through an apparent barrier at about annual sales of £100m to £200m.
- Companies attempting growth almost always feel impelled to diversify into new areas by acquiring outside enterprises. These ecquisitions often follow from flawed strategies and are unsuccessful.
- High-growth companies must pay particular attention to formalising the management techniques—such as attention to customers and involvement of staff—that made them succeed initially. "Institutionalising" winning characteristics in this way may be difficult as the company grows bigger.

The companies studied by Modiano and Ni-Chionna are all publicly quoted, with the exception of Cossor, which specialises in defence equipment. Others include VG Instruments (scientific instruments), Renishaw (probes for factory automation), Micro Focus and Systems Designers (software) and AB Electronic and Telemetrix (electronics equipment).

All are highly interesting, innovative companies with, in some cases, spectacular records in growth. They heve passed from the start-up phase, normally of two to six years, in which the concern establishes itself, and have gone, or are going through, the next, "initial success" stage.

High-technology

Why acorns don't grow into oaks

Peter Marsh reports on a study which identifies the reasons so many companies fail to become major corporate players

"Whose idea was it to synergise with a biological warfare company, anyway?

They are not into the third, crucial stage which the McKinsey consultants describe as the "breakthrough" era for a company. As e result, none has established itself, according to the McKinsey study, as e "world player" — though some may well do so in the next few years.

According to Modiano and Ni-Chionna, who write about their study in the November issue of Management Today, a business journal, the 16 companies have built their success largely on four factors. These are undisputed excellence in specific technologies; e focus on products or services which evoid direct competition with larger companies; a high proportion of overseas sales; and organisational characteristics which enable the concerns to maximise the opportunities from new technical ideas.

The companies' methods of organisation incinde an emphasis on the needs of the market —employees are encouraged to think like their customers—and e strong control on business fundamentals such as finance. There is a general commitment to avoid bureaucracy, stimulate and involve employees and reflect a strong eense that the company is a winner and is going places.

Yet are all these characteristics enough if the company is to grow into e world corporation along the lines of an Intel or a Hewlett-Packard? They are not, say Modiano and Ni-Chionna.

To illustrate this, the consultants cite the overall growth records of electronics concerns in the UK. Of the 73 publicly quoted electronics companies which had annual sales of less than £100m in 1970, only four had grown to e 1986 turnover of £300m, according to the McKinsey study. The four are Racal, Chloride, BSR and Electrocomponents.

Twenty-eight of the 73 were taken over, 20 are no longer quoted, 13 now have annual sales of less than £50m and eight have turnovers between £50m and £300m.

The key probem for companies set on high growth is that the favourable circumstances which provide initial success—either e single technical breakthrough or the fact that the concern sells products or services in an area where bigger companies do not wish to compete—are unlikely to last for long.

"Niche protection gives you time," says Modiano, "but not too much." Often, companies with good growth performance which are keen on further fast expansion realise they have to keep moving into new areas to avoid being squeezed by competition that is drawn into existing activities.

Amstrad, the UK electronics group (which was not covered in the McKinsey inquiry), provides a particularly good example of this transition in the way it has moved out of video equipment and into computers.

Putting too much emphasis on diversification for its own sake can be dangerous. Modiano suggests e dual approach: "You have to compete (with higger companies) on low costs and better skills and diversify." Often, the McKinsey consultants suggest, the diversification attempt is badly thought out and fails to exploit the company's competitive advantages.

For instance, First Castle Electronics, a specialist in electro-optics and nuclear detection for military bardware, moved into the manufacture of printed circuit boards and cable testing. This was a bad move, say Modiano and Ni-Chionna. The company bed no technical advantage that applied to the new area of work —which fell off anyway as a result of an economic downturn.

The shift by Logica, the UK software concern (which was not among the 16 concerns covered in detail in the study), into office eutomation equipment, was similarly disappointing. The effort came to grief due to Logica's lack of hardware marketing skills.

AB Electronic moved into component manufacture for high-tech concerns into car electronics — e very different area in which AB Electronic's manufacturing methods gave it no advantage over other automotive suppliers.

Another reason for diversification, besides the wish to move into new areas to keep ahead of competition, may be simply the small size of a company's "core" business. Renishaw, for example, is the undisputed world leader in probes — largely by dint of near impregnable patent protection. But because the probe business is never going to edd *up to more than a few tens of* millions of dollars a year, the company is being forced to look at other areas sucb as factory automation systems. Inevitably, this will bring the company into contact with heavier competition.

Oxford Instruments is in a similar position. It built up its reputation making magnets used in medical scanners and for its skills in cryogenic engineering. Both are relatively small markets. The company has diversified into general scientific instruments and (as a result of the recent acquisition of Plasma Technology, a small semiconductor equipment concern) the microchip production industry. Both activities involve bigger markets where not only the *potential rewards but also the* possible pitfalls are larger.

"The key criterion is to go into e new activity but without damaging the core business," says Modiano. Of the 16 companies studied, he thinks that VG Instruments may have handled this transition better than most. The concern has expanded from its original base in high-vacuum equipment for science-based industry into a range of other areas, in particular small spectrometers, electronics and the semi*conductor fabrication industry.*

For a relatively small company, with fewer resources than a large concern, acquisition is the most obvious way to diversify. Yet while a large company can absorb a small fry relatively easily, attempts to integrate into a medium-sized company a second concern of roughly the same size can be fraught with difficulty.

Of the 16 companies studied, nine had made e major acquisition. But only one of the nine (which has not been disclosed) told the consultants the move was a success.

"Acquisition is a very attractive way of growing," coments Ni-Chionna. "But there is often some hubris involved. The companies think they can manage themselves and so they think they can do the same with a concern they acquire. Often, this doesn't happen. Companies can also have too high an expectation about possible synergies that will apply through two concerns coming together."

A highly important area concerns the role of the management in the high-growth company. The people at the top of these enterprises must often do jobs during the later stages of growth which are quite different from those required at the outset.

The managers will probably have to spend less time in direct execution of decisions and more in managing operations through others. They may need, say the consultants, to formalise some of the business activities which helped the organisation to grow.

For instance, such companies may have to set up rigid mechanisms to monitor key business statistics or to maintain quality control. They may even go to the lengths of defining specific dates for office parties or pub evenings rather than simply leave such gatherings (seen as e good way to stimulete employees mentally, not just alcoholically) to chance.

Some founders or managers of small companies may not, of course, be able to show this flexibility—in which case outsiders, often with proven track records with big companies, are often employed to run key parts of the operation.

As though to emphasise that growing small concerns is anything but easy, Ni-Chionna points out that even this strategy has plenty of pitfalls. The new management may be unable to come to terms with the cultural experience of working in e smaller concern and, once again, this may be another move that does not pay off.

What of the future for the 16 companies highlighted? Modiano and Ni-Chionna think that only a few have the potential to break through the barrier into the big time, though they do not offer any opinion about which ones.

Fortifying the under-40s

BY MICHAEL SKAPINKER

WHEN Business magazine hosted a reception earlier this week to honour Britain's 40 leading business people under the age of 40, many present saw it as a sign of the times. Nothing like this would have happened 10 or 20 years ago, they said.

Businessmen were not thought to be particularly interesting then and it wasn't done to boast abont one's success. All the same, when a group of the 40 were herded around a piano and given e specially adapted song to sing, some clearly thought things were going e bit too far.

Perhaps the words had something to do with it:

"Heigh Ho, Heigh Ho, we'll
change the status quo,
We'll take the lead and
show our speed,
Heigh Ho, Heigh Ho."

It was left to e man who knows the music business to salvage the situation. Richard Branson, head of the Virgin group of companies, *led* the way with e spirited foot-tapping performance and the others tagged along sheepishly.

Branson was one of several among the 40 who have already made a success of things. Fashion designer Bruce Oldfield was on the list, as was Amstrad chairman Alan Sugar. Neither was at the reception. Business magazine said Sugar was in the Far East and Oldfield was in West Germany choosing fabrics.

The others were a fairly varied bunch. The City was well-represented. Lesley Watts is only 32 but is already e main board director et Kleinwort Benson. She was one of six women on the list of 40. Dwight Makins, 35, is managing director of John Govett and Co investment trust.

Three of the 40 were lawyers, including the youngest person on the list, 29-year-old Andrew Carmichael, who is e Eurobond specialist et solicitors Linklaters and Paines.

Some were less obviously high fliers. Lindsey Holbrook, 39, is one of 15 senior project managers at Bechtel, bnt, according to Business, "is regarded as one of the men who will turn the company around." The engineering contracting industry had an "image of guys with grease under their fingernails. It's trying to get away from that and brush up a bit," said Holbrook, who did not appear to have any grease under his fingernails.

Kelly says that the list of 40 was culled from 300 names after a search listing five months. Journalists and researchers from the magazine talked to existing leaders of British industry, senior accountants and lawyers, stockbrokers, merchant bankers, head hunters and management consultants. *They also spoke to competitors* and colleagues.

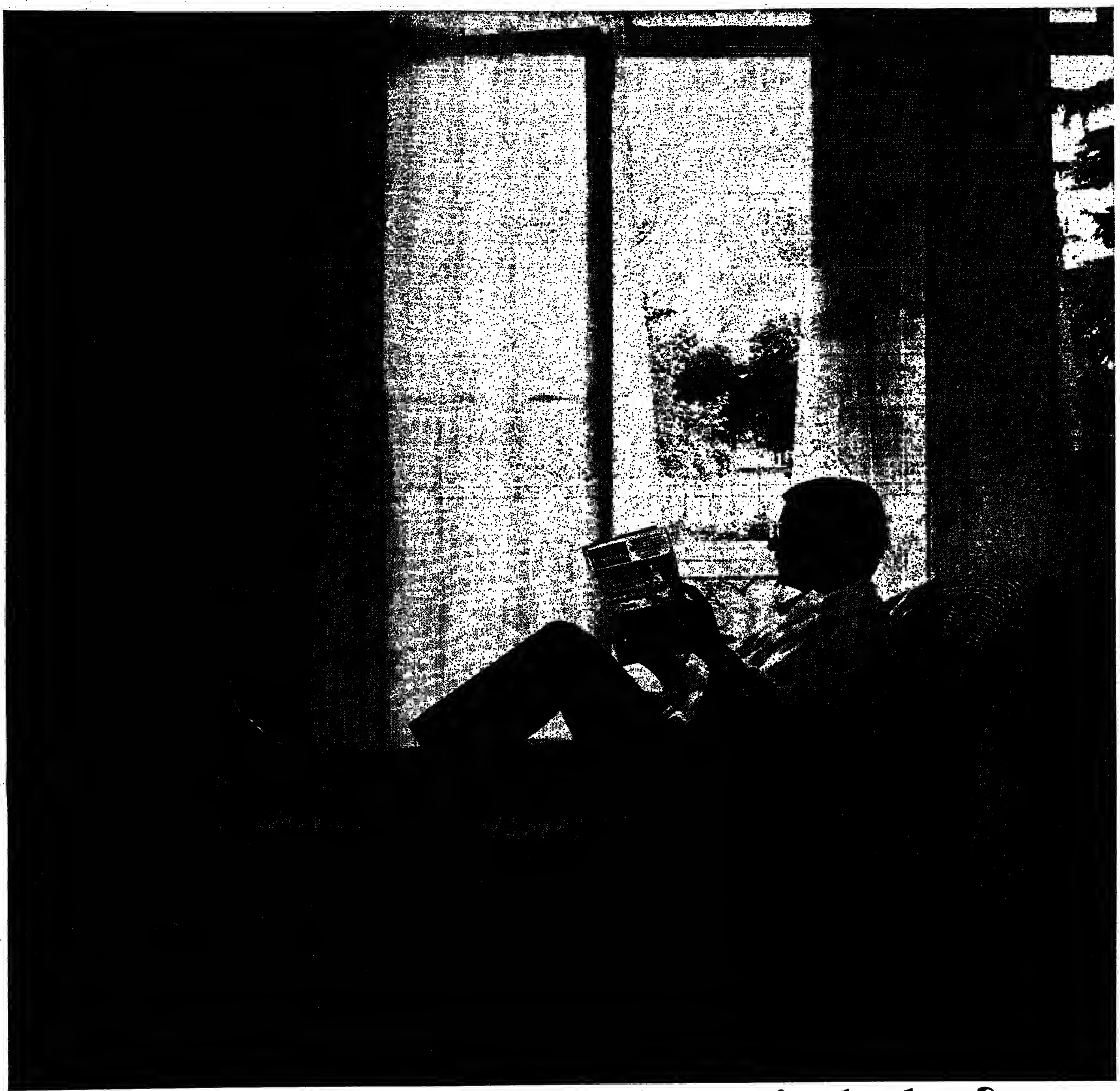
Other than success or imminent success, the 40 do not appear to have much in common. All are obviously relatively young. Several are bearded, although for e group *which came of age in the 1960s* none is noticeably bohemian, Branson once again excepted. All are extremely busy: 13 did not make the reception.

Certainly, none of the people chosen seemed to think it would do them any harm. But what does it mean to be one of the leading young business people in the country? Is it based on financial results, ebility to motivate people or turn an ailing company around?

Nothing as narrowly defined as that, eccording to the people at Business magazine. The criteria, says the magazine's publisher, Kevin Kelly, were "outstanding success and future promise in business," which sounds a little like "we'll know them when we see them."

Howard Hodgson, 36, made the list by transforming the family undertaking business into a national chain with a listing on the USM. Hodgson, who has a jeunty rather than e funereal air, fully approves of projects like Top 40 under 40.

The proportion of women in the group, 15 per cent, seems low, but is an apparent improvement on the previous generation. The Institute of Directors recently said that there are only eight women directors in the top 100 companies. Even so, Liz Leffman, a project manager et Courtaulds, sees little grounds for optimism. "It is becoming more common for women to go into business and things are slowly changing," she concedes. But she thinks thet the women likely to make more of an impact et the top are probably still under 30.



THE PROPERTY MARKET

NEWCOMERS

L & M prepares to offer its shares

LONDON & Metropolitan Estates should receive a cash injection of about £30m if its planned stock market flotation is a success.

It will be the first property company to go to the market after the Big Bang and its offer of shares for sale should be made in the next few days. Executives have already been preparing the way in talks with investment managers and brokers.

"We've been investigating the market for four or five months, but we set our stall out a couple of years ago," said Mr David Lewis, the L & M chief executive.

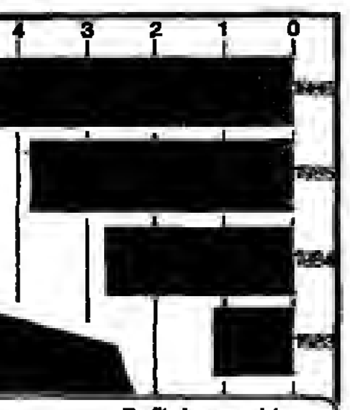
Market capitalisation could be about £50m. L & M is stepping out of the shadows of its joint owners, London and Edinburgh Trust and Balfour Beatty, but they will each retain 20 per cent of the equity.

Future relations between the three will be more at arms length. LET and Balfour Beatty will each have a non-executive director on the L & M board, but there is no question of L & M automatically putting building work out to Balfour Beatty: much more than in the past the work will go out to tender.

As for LET, Mr Lewis noted, "We'll be in the same market place. We're heavier into retail property than they are and we have project management skills they don't have."

Those project management skills are important to L&M. Like other property companies, "it is creating commercial property investment for sale to institutional investors," as Mr Lewis put it.

"But the philosophy we try to adopt is that within two years the cost of running the business will be covered by project management fees and rental income," he said. "So property sales would then become the profit.



David Lewis: Profits keep on rising

L & M manages all its own projects—there have been about 30 of them so far — but it is engaged elsewhere. If the Spitalfields market site in London is ever developed by the LET-Balfour Beatty-County and District Properties consortium, L&M will manage the project.

In return it would receive a fixed fee, a bonus and a small percentage of the LET and Balfour Beatty shareholdings in the venture.

Net rental income in 1985 was a modest £125,754. To increase this, says Mr Lewis, "we're seeking to retain situations where there is scope for further development—by keeping a small stake and capitalising after the first rent review after five years."

Thus L & M, one of three joint venturers soon to redevelop the Whiteleys store in the Bayswater area of west London, plans to keep 5 per cent of its current one-third share when the property is sold on.

In a similar way, it intends to keep 8 per cent of Ropemaker Place in the City of London, where it is involved in a new office development funded by Norwich Union. In both cases the possibility of rental growth is very attractive.

Whiteleys and Ropemaker Place are two of L & M's three flagships. The third is the business park at Watchmoor Park in Camberley.

These three are the centrepiece of L & M's credentials for the stock market flotation. But they are also the clue to the future development of the company. They set out the areas where L & M will remain active — retail, offices and business parks.

Retail properties have been giving the best returns in the property business. But once the Use Classes Order changes, Mr Lewis believes, there's a great future in the business park sector. The problem at the moment is that the planning categories spelt out in the current Use Classes Order do not naturally cover the mixed uses which are essential to a business park. The Government is expected to announce new regulations early next year.

As far as offices are concerned, "there is great scope for looking at buildings where the leases are expiring. They can be 50,000 to 100,000 sq ft, they don't have to be half a million," Mr Lewis observed.

Most of the work L & M expects to undertake will be in London and the South East and Scotland, the present stamping grounds. In a couple of years time, depending on performance L & M might look at the acquisition of other companies, but it has no ambitions to expand abroad.

This philosophy of development, this strategy, has been worked out primarily by Mr Lewis, who for some time has been anxious to bring L and M out of the orbit of LET and Balfour Beatty.

He has been with L & M from the outset. The company was originally started in 1980 to build up a building operation in the South East for Balfour Beatty. Then the Beckwiths became involved. "The original idea was to obtain some negotiated construction work. The Beckwiths would use the Balfour Beatty covenant to get into bigger schemes," Mr Lewis recalled.

"I realised there was more potential than simply getting negotiated building work. So we looked along the M25 to land and bought sites at Dorking, Redhill, Camberley, Bracknell and Reading over a period of about 18 months. We were using letters of guarantee from the parents to buy the sites," said Mr Lewis.

Now, after seeing the child's earnings steadily increase to top £5m pre-tax this year, the parents can relax control—and make some money.

PAUL CHEESERIGHT

UNITISATION

Funds hold on to their cash

MORGAN Grenfell Laurie, product of the 1985 merger between the merchant bank and agents Michael Laurie, this week made its first heavyweight contribution to the property unitisation debate.

Speaking at the British Property Federation's Brighton conference, on property after the Big Bang, MGL's Kenneth Posner contended that nobody has really got to grips with the market — in the sense that there have to be takers for all the buildings which surveyors and investment bankers aim to slice up in neatly digestible lumps for retail investment disposal.

"In order to establish the extent of the potential matched market," he said yesterday, "we conducted a survey over the last few weeks among pension funds and insurance companies. Of the funds we approached, 78 responded. Property assets of these funds represented about £18bn."

Mr Posner, a director of MGL and head of its financial services department, emphasised that the questions were put not only to property managers, but to fund managers responsible for the entire portfolio as well.

"These funds," he said, "are unlikely to make any significant increase in their allocation to direct property investment over the next 12 months.

"Virtually all of the funds indicated that they would not increase the total amount they allocated to direct property if they had the opportunity to purchase a tradeable equity interest," he continued. "The majority of the funds also considered that the units would sell at a discount.

"We have to ask ourselves, therefore, where is this pool of money which is supposed to be available for investing in tradeable equity markets," he observed.

If you had the ability to purchase a tradeable portion of a single property, is it likely that you would increase the total amount that you allocate to direct property investment?

	By Number of Funds		By Value of Funds	
	Yes	No	Yes	No
Total:	14%	86%	10%	90%
Insurance Companies:	14%	86%	9%	91%
Pension Funds:	14%	86%	11%	89%

Source— Morgan Grenfell Laurie Research Single Property Investment Survey

"The basic conclusion we can draw is that there is a very high degree of caution in the minds of institutions and pension funds over the whole concept of tradeable interests in property.

"The market will determine whether the concept of securitisation, be it debt-equity financing through a corporate structure, unitisation, property income certificates or some other approach, is successful," said Mr Posner.

"It may become a limited instrument for the finance of large buildings.

"It may be a market of last resort if we are not careful.

"Or we may see the most radical changes that can be envisaged in property investment with the coming together of both the capital and the property markets.

"The entire portfolios of institutions and pension funds, and property unit trusts may be securitised," he speculated.

Leaving the BPF with the thought that property companies, that is, the BPF members, may become financial services companies — undertaking developments and trading in property securities — Mr Posner concluded that securitisation needs a common, properly structured approach; with that, he believes, it will succeed.

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(Incorporated in Canada)

St Lawrence and Ottawa Railway Company Toronto Grey and Bruce Railway Company Copies of the Balance Sheets of the above companies as at December 31 1985 are available and may be obtained from this office during normal business hours.

D. R. KEAST

Deputy Secretary

50 Finsbury Square

London EC2A 1DD

October 29 1986

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14½% 1981/1988

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Pursuant to the conditions of the loan, the 72,500 outstanding notes of XEU 1,000 each will be redeemable, coupon No 8 and subsequents attached, as from 3rd December, 1986, date at which they will cease to bear interest at the price of XEU 1,002.5

The following banks will carry out the redemption and the payment of interest on 3rd December 1986:

Credit Lyonnais Luxembourg
Banque Nationale de Paris, Paris
Kredietbank N.V., Bruxelles
Istituto Bancario San Paolo di Torino, Turin

The Fiscal Agent

Credit Lyonnais Luxembourg

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The distinctive numbers of the Bonds, drawn in the presence of a Notary Public, are as follows:–

7	32	58	83	108	134	162	187	212	238
281	306	364	389	414	440	465	518	544	569
594	619	645	670	695	723	778	826	852	877
902	943	983	1008	1033	1059	1088	1113	1139	1164
1189	1214	1240	1265	2009	2039	2078	2105	2131	2156
2194	2222	2252	2295	2322	2348	2384	2428	2454	2479
2506	3047	3072	3107	3132	3167	3212	3261	3287	3567
3592	3655	3682	3711	3736	3762	3800	3825	3851	3876
3905	3931	3957	3982	4008	4034	4063	4091	4117	4142
4171	4197	4223	4257	4282	4308	4333	4358	4586	4611
4638	4666	4691	4716	4742	4827	4872	4897	4923	4948
4973	4999	5033	5058	5091	5116	5141	5172	5198	5230
5260	5286	5311	5343	5369	5394	5419	5449	5723	5749
5785	5820	5854	5949	5987	6016	6047	6073	6132	6162
6187	6213	6238	6312	6338	6403	6457	6499	6536	6572
6648	6674	6699	6724	6750	6775	6800	6826	6851	6918
6943	6970	6995	7020	7066	7091	7116	7142	7268	7293
7332	7410	7435	7460	7500	7531	7556	7582	7607	7632
7661	7694	7719	7795	7861	8002	8119	8194	8230	8255
8281	8308	8333	8358	8384	8409	8434	8460	8582	8707
8733	8758	8807	8832	8862	8887	8922	8948	8973	8998
9038	9077	9103	9157	9162	9220	9247	9332	9572	9617
9729	9754	9819	9845	10130	10155	10180	10206	10286	10460
10486	10511	10536	10562	10587	10612	10637	10663	10688	10713
10739	10764	10789	10815	10840	10865	10891	10916	11133	11261
11287	11312	11381	11407	11608	11836	12408	12433	12458	12483
12509	12534	12568	12594	12619	12644	12670	12695	12720	12787
12813	12838	12863	13035	13232	13425	13453	13488	13513	13539
13564	13589	13624	13791	13816	14130	14181	14214	14294	14331
14356	14402	14564	14590	14615	14640	14666	15335	15360	15386
15411	15436	15461	15487	15512	15537	15563	15588	15613	15639
15664	15689	15715	15740	15765	15790	15816	15841	15866	15892
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16784	16818	16864	16889	16914	16939	16966	16991	17016	17066
17093	17118	17144	17331	17357	17389	17414	17468	17500	17526
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28267	28292	28317	28342	28368	28393	28418	28444	28469	28494
28520	28545	28570	28595	28621	28646	28671	28697	28722	28747
28773	28798	28823	28849	28874	28899	28924	28950	28975	29000
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32062	32087	32113	32138	32163	32188	32214	32239	32264	32290
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32568	32593	32619	32644	32669	32695	32720	32745	32770	32796
32821	32846	32872	32897	32922	32948	32973	32998	33023	33049
33074	33099	33125	33150	33175	33201	33226	33251	33277	33302
33327	33352	33378	33403	33428	33454	33479	33504	33530	33555
33580	33605	33631	33656	33681	33707	33732	33757	33783	33808
33833	33858	33884	33909	33934	33960	33985	34010	34036	34061
34086	34111	34137	34162	34187	34213	34238	34263	34289	34314
34339	34365	34390	34415	34440	34466	34491	34516	34542	34567
34592	34618	34643	34668	34693	34719	34744	34769	34795	34820
34845	34871	34896	34921	34946	34972	34997	35022	35048	35073
35098	35124	35149	35174	35200	35225	35250	35275	35301	35326
35351	35377	35402	35427	35453	35478	35503	35528	35554	35579
35604	35630	35655	35680	35706	35731	35756	35781	35807	35832
35857	35883	35908	35933	35959	35984	36009	36035	36060	36085
36110	36136	36161	36186	36212	36237	36262	36288	36313	36338
36363	36389	36414	36439	36465	36490	36515	36541	36566	36591
36616	36642	36667	36692	36718	36743	36768	36794	36819	36844
36870	36895	36920	36945	36971	36996	37021	37047	37072	37097
37123	37148	37173	37198	37224	37249	37274	37300	37325	37350
37376	37401	37426	37451	37477	37502	37527	37553	37578	37603
37629	37654	37679	37704	37730	37755	37780	37806	37831	37856
37882	37907	37932	37958	37983	38008	38033	38059	38084	38109
38135	38160	38185	38211	38236	38261	38286	38312	38337	38362
38388	38413	38438	38464	38489	38514	38539	38565	38590	38615
38641	38666	38691	38717	38742	38767	38793	38818	38843	38868
38894	38919	38944	38970	38995	39020	39046	39071	39096	39121
39147	39172	39197	39223	39248	39273	39299	39324	39349	39374
39400	39425	39450	39476	39501	39526	39552	39577	39602	39628
39653	39678	39703	39729	39754	39779	39805	39830	39855	39881
39906	39931	39956	39982						

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THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
31	1	2	3	4	5	6

Exhibitions

NEW YORK

Bravo Carnegie Hall: While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the venerable venue with original architectural drawings and cutaway models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.

International Center of Photography: David Hockney's photo collage show, called *A Wider Perspective*, consists of vistas captured in serial photographs put together with playfulness by the artist. Three films of interviews are also on view. Ends Nov 9.

Whitney Museum: A retrospective of 168 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, and landscapes and informal drawings. Ends Jan 4.

WASHINGTON

National Gallery: Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by *Bertoldo di Giovanni, Andrea Briosco*, and Alessandro Vittoria. Ends Nov 30.

Hirshhorn Museum: More than 130 *paintings, sculptures and drawings* from a 5,300 donation by the museum's founder Joseph H. Hirshhorn on his death go on view with works by major contemporary artists including Illem Kooning, Arshile Gorky, Frank Stella and Henry Moore. Ends Nov 16.

National Gallery: Henri Matisse: The Early Years in Nice *1916-1930*, includes 170 paintings from the artist's life in the south of France, where the light made a permanent difference to his sense of colour. Ends March 29.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, *sketches* and building fragments emphasising his use of ornament. Ends Dec 31.

Art Institute: Ten centuries of Hungarian goldsmithing is displayed in a visiting exhibit of 69 pieces covering religious and secular commissions including medieval and renaissance chalices, cibrial, monstrances and reliquaries as well as suites of jewellery. Ends Nov 7.

TOKYO

Muromachi period (14th-16th century) scrolls and screens. A fine exhibition of some of the most representative art of the period collected by samurai Ohta Dokan. The museum is the former home of a prince of the Imperial Family. In Art Deco style and designed by French architect, Henri Rapin, complete with its abundance of deco fixtures and fittings, the house is worth visiting on *its own account. Take advantage*, too, of the secluded gardens – both Western style with lawns and the Japanese, a strolling garden with carp pond. One of Tokyo's few cases. Tokyo To-Teien Museum, Meguro. Ends Nov 9. Closed second and fourth Wednesdays.

The World of the Dragon and Tiger. Paintings, *pottery* and various objects covering over a thousand years of Chinese and Japanese art depicting these popular symbols in oriental art in various transfigurations. The dragon was an emblem of imperial power and the link between heaven and earth. The tiger was the common people's equivalent – plus *defender of spatial order against* chaos in Chinese cosmology. This Nezu museum also has a beautiful wild strolling garden. Meandering paths at different levels make it ideal for exploring and spotting the many old Buddhist stone sculptures hidden in the foliage – a reminder of the role of nature to traditional Jap*anese thinking. Nezu Art Museum.* Minami Aoyama. Ends Nov 9. Closed Mondays.

El Greco: 50 oil paintings, part of the Matsukata collection. National Museum of Western Art, Ueno Park, one of Tokyo's few large parks. Several national museums and Tokyo's main concert hall (Tokyo Bunka *Kaikan*) are in the *vicinity*. A day's museum-hopping can be pleasantly divided by refreshment at one of the park restaurants. Ends Dec 14. Closed Mons.

PARIS

Francois Boucher: the 86 paintings and 25 drawings of his first major retrospective re-create the pastel-coloured world he peopled with voluptuous goddesses and shepherds. Premier Peintre du Roi, a favourite and friend of Madame de Pompadour. Boucher personified the lighthearted charm and seduction of the Louis XVth Period. His pastoral and mythological scenes reproduced by engravings, tapestries and on Sèvres *porcelain spread* the *influence* of French court art all over Europe. Grand Palais, closed Tue, Ends Jan 5th (4289 5410).

Les Prix de Rome: The exhibition consists of paintings which won the much-coveted stay in Rome for the laureats from 1797 to 1863. The uplifting subjects from mythology or the Bible, the noble sentiments, melodramatic gestures and perfect workmanship crowned in the prestigious yearly competition provide a unique panorama of French academic art. Ecole Nationale des Beaux Arts, 11 Quai Malaquais, closed Tue, ends Dec 14. (4230 3457).

Paris Abstrait, 1945-1955: Magnelli's cut-out reminiscent of *Braque*, a powerful Hartung with his large black strokes against a beige background, Esteve's colourful puzzleand Mathieux's ink-black splotches and smears are glorying in their abstraction. Except for de Stael, whose flowers in dense, dark colours are lit up by orange and *mauve, Galerie Natalie Seroussi*, 34 rue de Seine. Ends Dec 15.

LONDON

The Royal Academy: Je Suis le Cahier – the Sketchbooks of Picasso. It is in an artist's sketchbooks and notebooks, even more than in his drawings, that he demonstrates the true nature of his ideas. Without thought of any public role or statement, with no reason to think anyone will see his work, he is free to observe and work on variations upon his theme entirely as he chooses. When the artist is a very great one the creative discovery is quite simply enthralling. Picasso left some 175 sketchbooks from the mid-1890s to the late 1960s, until now never shown in public. Organised by the Pace Gallery of New York and sent on tour by American Express, it contains work from 45 of the books. Ends Nov 19.

SPAIN

Barcelona: The *Bloomsbury Group*. Furniture, ceramics, manuscripts, paintings, drawings by British intellectuals of the 1907-1930 period. A collective whose rebellious attitude against Victorian conduct and moulds led them to defend a creative, free and peaceful avantgarde movement. Though not a homogeneous group. It is interesting to see paintings, fabrics and carpets designed by the Omega group, an original sitting room with authentic furniture on loan by museums, paintings showing post-impressionist influence, photographs by Vanessa Bell and original book covers. La Caixa Foundation, Via Layetana 56. Ends Nov 15.

Madrid: Julio Gonzalez (1876-1942), Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by the Ivam, Valencia's modern art museum. Ends Dec 30. Also Miro sculptures (1893-1983): 100 sculptures and 140 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1930-1970 of which we know little in Spain. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

Madrid: Amos Cahan collection. Spanish Art in New York. Paintings by 35 Spanish painters of the 1850-1970 period, who started two significant movements: Madrid's El Paso and Barcelona's Dau al Set. Fundacion Juan March, Castello 77. Ends Nov 9.

NETHERLANDS

Den Bosch, Noordbrabants Museum. Some of the finest Dutch Old Master drawings from the Leiden Printroom are touring Europe. The main emphasis is landscape, but all genres are represented. It includes a Roman study sheet by Jan Gossaert and two allegories by Abraham Bloemaert. Ends Nov 2.

Haarlem, Frans Hals Museum. In Search of the Golden Age comprises 70 paintings, watercolours and drawings from 1800-1850. Ends Nov 30.

Amsterdam, Historical Museum. The Taste of the Elite focuses on Amsterdam's rich merchant class and its influence on art and culture as part of the celebration of the 16th century currently taking place in seven Dutch museums. Ends Dec 7.

Zutphen, Stedelijk Museum. An exhibition commemorating Sir Philip Sidney, the "flower of English chivalry", who died 400 years ago attempting to liberate Zutphen from the Spanish. Ends November 9.

Eindhoven, Van Abbe Museum. Currently drawing a record number of visitors to the 50th anniversary 'Eye level' exhibition of its entire collection. The 1,500 works read like a roll-call of modern art, from Chagall, Kandinsky, Braque and Picasso to Klein, LeWitt, Baselitz and Kiefer. Ends Nov 9.

The Hague, Gemeentemuseum: a display of 50 pieces of modern glass from the museum's collection. Ends Nov 9.

VIENNA

Dian – a submerged kingdom of Chinese art. According to the organisers this is the first exhibition in the west of treasures from the Dian Kingdom, which existed more than 2,000 years ago in south-west China. Unusual and spectacular gilded bronzes were discovered only 30 years ago in Dian burial grounds. Exhibits include dramatic groups of men and animals, showing scenes of war, dance and celebration. Also on show are weapons, tools, musical instruments, agricultural and weaving equipment, bronze drums and jewel boxes from what must have been a vigorous culture. Museum of Mankind, Neue Hofburg. Ends Nov 23.

ITALY

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25-1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

Rome: Palazzo dei Conservatori: Campidoglio: 74 sculptures by Degas – almost all from the Sao Paolo Museum in Brazil. The sculptures were cast in bronze between 1919 and 1922 by Degas's artist friend, Bartholome, from wax models left in the studio after Degas's death in 1917. Ends Nov 25.

Florence: Palazzo Medici-Riccardi: Masterpieces of German Expressionism (1905-1920): Works from private and public collections give a history of what has become a highly fashionable movement with works by Kandinsky, Kirchner, Schiele, Nolde, Klee, and the appalling visions of Otto Dix. Ends Nov 30.

Rome: Museo Napoleonico, via Zanardelli 1: Leopold Robert: Delightful exhibition of scenes of 19th century Roman street and convent life, painted with an ingenious eye and an unremittingly grand manner. The young Swiss artist came to Rome, took second place in the Prix de Rome of 1814. Suffered an unrequited passion for Princess Carlotta Bonaparte and died in Italy in 1835. Ends Nov 16.

Bologna: Museo Civico and Pinacoteca Nazionale: The Age of Correggio and the Carracci: Painting in Emilia-Romagna in the 16th and 17th centuries: 200 paintings of exceptional quality, most of which have been restored for the occasion (at the expense of Montedison) lent by 23 American and 20 European museums together with a large number *from private collections. Contains 38* works by the Carracci family: Annibale, Agostino and Ludovico, works by Correggio, Parmigianino, Domenichino, Guercino and Guido Reni. *As a bonus to the exhibition, it is* possible to visit (in nearby Palazzo Sampieri) the three rooms completely frescoed by the Carraccis – the last time they worked together. The exhibition will be going to the National Gallery in Washington and to the Metropolitan in New York after it closes in Bologna on November 10.

WEST GERMANY

Cologne, Wallraf Richartz Museum, Museum Ludwig, Bischofsgartenstraße 1: The new museum, built by the German architects Busmann and Haberer, will open this week. The initiative for the museum came from Peter Ludwig, one of the leading German collectors of Modern Art, who has donated about 300 pieces. The museum is devoted to 20th century art: French, German and American painting, including abstract art after 1945, and pop art. Also German art from the 60s to the present. Ends Nov 30. The museum is showing an interesting exhibition of 19th century German and French paintings: romantic, realist and impressionist, with works by Caspar David Friedrich, Adolph von Menzel, Wilhelm Leibl, Max Liebermann, Max Slevogt and Lovis Corinth, Renoir, Monet, Sisley, Degas, Pissarro and Manet. Pictures by James Ensor, Pierre Bonnard and Edouard Vuillard show the way to the 20th century. Ends Nov 16.

Stuttgart, Württembergischer Kunstverein: Artists in Germany from 1900 to 1945 represented with 200 pictures and sculptures. Ends Nov 9.

München, Neue Pinakothek: King Ludwig I as a collector: A photographic exhibition commemorating the 200th anniversary of his birth. Ends Nov 23.

Hamburg, Kunstverein Ferdinandstor I: Frank Auerbach. A series of paintings *and drawings* for which British artist Frank Auerbach won the Golden Lion award at the Venice Biennale this year. Thirteen of Auerbach's earlier works will also be on show to give a view of the artist's development and tradition over 30 years. Ends Nov. 30.

Theatre

LONDON

Les Liaisons Dangereuses (Ambassa*dors*): *Christopher Hampton's masterly* version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

Lend Me a Tenor (Globe): Ian Talbot leads the new cast to Ken Ludwig's fizzing comedy about backstage tribulations in Cleveland, Ohio, during a doomed 1932 tour of Verdi's Otello. A blight at the opera. (437 1592, CC 379 6433).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Magistrate (Lyttelton): Handsome National Theatre revival of Pinero's great farce with Nigel Hawthorne *funny, but not blissfully so*, as the discomfited police magistrate. A safe bet. (928 2252).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (*Majestic*): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-*running musical ever in America* has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popu*larity for the two oldsters on Central* Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

The Marriage of Betty & Boo (Arena): Christopher Durang's latest swipe at domestic life and marriage has an autobiographical air as it dissects three generations of a contemporary American family. James C. Nicola directs a cast headed by Casey Biggs, Donna Snow and Thomas Anthony Quinn. Ends Nov 23.

Opera and Ballet

ITALY

Trieste: Teatro Verdi: San Carlo Theatre (Naples) production of Rigoletto conducted by Hubert Soudant. 1949)

VIENNA

Staatsoper: Orpheus (ballet) conducted by Schirmer; Die Entführung aus dem Serail conducted by Weikert with Ghazarian, Watson, Moser; Maria Stuarda conducted by Fischer with Baltsa, Zampieri, Gonda. (51 444/26 55).

Volksoper: Orpheus in der Unterwelt; Die Csardas Fürstin; Hänsel und Gretel; Der Mantel/Gianni Schicchi. (51 444/26 57).

NETHERLANDS

Amsterdam, Muziektheater. The Bolshoi Ballet with The Golden Age by Yuri Grigorovich (Mon, Tue). (255 455).

Scheveningen, Circus Theatre. Giselle from the National Ballet, with the North Holland Philharmonic under Roland Kieft. (55 88 00).

PARIS

Richard Strauss – Salome in Jorge Lavelli's production and in Max Bignens decor and costumes stresses the violence of the opera's musical conception. Paris Opéra (4266 5022).

Tudor/Van Manen Ballets. Tudor's Lilac Garden and Dark Elegies to Ernest Chausson's and Gustav Mahler's *music respectively with* Van Manen's choreography of Beethoven's Die Grosse Fugue (at the Opéra Comique). (4296 1220).

WEST GERMANY

Berlin, Deutsche Oper: Siegfried stars Rene Kollo in the title role, Ingrid Bjoner, Anne Gjevang and Robert Hale. Hoffmanns Erzählungen, sung in French, is a Gian Carlo del Monaco production.

Cologne, Opera: Tristan und Isolde, with Gabriele Schnaut and Spas Wenkoff. *Die Entführung aus dem Serail* has Ulrich Hielscher as Osmin. Zar und Zimmermann rounds off the week.

LONDON

Royal Opera, Covent Garden: La Traviata, revived in the ancient and never very successful Visconti pro*duction based on Beardsley, has* Katia Ricciarelli and Lucia Aliberti alternating in the title role, and Yury Simonov as conductor. (240 1066).

English National Opera, Coliseum: The Rape of Lucretia, a chamber opera that in Graham Vick's production proved surprisingly well adapted to the large spaces of this theatre, returns with almost all original cast (including Jean Rigby, Russell Smythe, Anthony Rolfe Johnson and Kathryn Harries) and Lionel Friend as conductor. Further performances of the Jonathan Miller reworking of The Mikado, Aida with Janice Cairns and Eduardo Alvares, and the new productions of Cavalleria Rusticana and Pagliacci.

NEW YORK

New York City Opera (NY State Theatre): The week features Imre Pallo conducting Die Fledermaus in Gerald Freedman's production with Leigh *Munro* and Theodore Baerg; Edith Davis in the title role in Frank Corsaro's production of Madama Butterfly conducted by Christopher Keene and Mefistofele, La Traviata and *Love for Three Oranges. Lincoln Center* (870 5600).

Next Wave Festival (Brooklyn Academy of Music): Molissa Fenley and Dancers perform works choreographed by Miss Fenley to the music of Philip Glass and the premiere of a score by Julius Eastman. Ends Nov 8. (718 636 4100).

Joffrey Ballet (City Center): The five-week, 30th anniversary season features Frederick Ashton's La Fille Mal Gardée, a newly commissioned work from Mark Morris and the New York premiere of Mark Haim's The Gardens of Boboli. Ends Nov 16. 55th e. of 7th Av (581 7907).

WASHINGTON

Washington Opera (Opera House): The week features Mstislav Rostropovich conducting Rimsky-Korsakov's The Czar's Bride, directed by Galina Vishnevkaya with Elizabeth *Knighton*, Cleopatra Ciurca, and Ivan Konsulov; and Wolf-Dieter Ludwig's new production of Il Trovatore conducted by Daniel Oren with Susan Dunn and Franco Bonisolli. Kennedy Center (254 3770).

CHICAGO

Lyric Opera: Handel's Orlando joins the repertory in John Copley's production conducted by Charles Mackerras with June Anderson, Marilyn Horn and Jeffrey Gall. Edita Gruberova takes the title role and Neil Shicoff sings Edgardo in director Peter Reichenbach's production of Lucia di Lammermoor conducted by Charles Mackerras. (332 2244).

TOKYO

The Peking Opera Academy: The Legend of the White Serpent. (Mon matinee): The Magical Monkey King (Mon evening performance). Hitomi Memorial Hall, Showa Women's College, Sangenjaya (461 2590).

Continued on Page 17

THE ARTS

Cinema/Nigel Andrews

Festival shows a sense of fun

London Film Festival
Men directed by Doris Dorrie
That Was Then, This Is Now directed by Christopher Cain
***Murphy's Law* directed by J. Lee Thompson**
Animation Festival


Uwe Ochsenknecht, Ulrike Kriener and Heiner Lauterbach in "Men"

The poster for the 30th London Film Festival, which begins two weeks hence at the National Film Theatre, is a start-startling sight. Purple flecks slant torrentially across a black-and-white background and form a giant number "30." Although this design makes a change from the usual tortured graphic variations on a strip of celluloid, I feel bound to ask on my readers' behalf what it is supposed to represent. Acid rain coming to the South Bank? Lava from an active volcano? The after-effect of eating too many films?

Whatever the answer, the general impression of reckless largesse is most appropriate to this event. The London Film Festival is a monstrous annual bonanza, with the British Film Institute as our cinematic caterers and cuisine mostly based on the best of the year's preceding festivals. At a guess, some 30 per cent of the 200-odd films on offer are receiving their first festival or public showing at the LFF. The rest are successes imported from such diverse film-meets as Cannes, Berlin, Venice and Taormina.

The London festival's quality depends, not surprisingly, on the quality of the movie year across the map. And 1986 has been mighty erratic. From a strong Cannes, London has picked up Tarkovsky's thrilling *The Sacrifice*, Alain Cavalier's award-winning *Therese* and two fine Japanese films, *And Then* and *Promise*. From a goodish Berlin it has collected Shinoda's handsome *Gonza The Spearman* (intrigue and revenge in Samurai Japan) and Nanni Moretti's delicious Italian comedy *The Mass Is Over*.

But the LFF selectors have also paid undue respect to other, less film-rich festivals and to bad movies which happen to have won ill-merited prizes. Reinhard Hauff's *Stammheim*, a recreation of the Baader-Meinhof trials, is a crude and hectoring docudrama which won the Berlin Golden Bear from a jury which must have been in indulgent mood that day. And the Taormina top prize winner, *Man of Ashes* from Tunisia, is an amateur-night pychodrama with a tortured hero at sea amid tortured camera angles.

Oddly, the strangest part of the London festival this year is the comedy section. In the face of crises and apocalypses, the world seems to be developing a sense of humour. Maria Luisa Bemberg's *Miss Mary* from Argentina is a bleakly brilliant satire on aristocratic manners, with Julie Christie as an English governess adrift in the Pampas. Ross McElwee's *Sherman's March* is a film diary by an endearing born loser (Woody Allen division) who is trying to put his love life together even as he makes a documentary about the American Civil War. In *Malcolm*, Australian director Nadia Tass shows that it is possible to rob a bank with an army of remote-control ash-trays. Jim Jarmusch's *Down By Law* and Spike Lee's *She's Gotta Have It* from the US are comic impromptus on love and destiny filmed in defiant and stylish monochrome. And Louis Malle's documentary *God's Country* takes a witty look at rural America and its souring honeymoon with Reagan and Reaganomics.

There is even a comedy from Costa-Gavras, forsooth, hitherto the maestro of the political thriller (*Z*, *Missing*). His *Family Business* puts French stars Fanny Ardant and Johnny Hallyday through a bank-robbing caper in Paris.

Elsewhere, promising high points of the LFF include new films from British directors Nicolas Roeg (*Castaway*), Ken Russell (*Gothic*), Terry Jones (*Personal Services*), Horace Ove (*Playing Away*), Karl Francis (*Boy Soldier*), and Bill Douglas (*Comrades*). There is the annual gala tribute to the past, with Erich Von Stroheim's 1924 silent classic *Greed* unspooling before the massed sounds of the Thames Silents Orchestra under Carl "Napoleon" Davis. And there are two outstanding films by new directors which you should see at all costs. One is Hou Hsiao-hsien's *The Time To Live And The Time To Die*, which shows that a tale of growing up in Taiwan can be as dramatic, touching, helter-skelter and funny as an early Truffaut film. The other is Felix de Rooy's *Almacita, Soul of Desolato* from the Dutch Antilles, a tale of ghosts and doomed love set in wild scenery and painted in thrilling images.

The festival lasts from November 13 to 30 and booking is open to everyone.

★

The West German comedy *Men*, written and directed by Doris Dorrie, has been slaying them in the aisles all across the Bundesrepublik. It has been the most popular homegrown movie there since the war. Julius (Heiner Lauterbach) is a packaging firm manager who is appalled to discover a love-bite on his wife's neck on the brink of their 12th wedding anniversary. Is she, Paula (Ulrike Kriener), being unfaithful? Yes, she is. Her lover is a layabout-cum-graphic-artist called Stefan (Uwe Ochsenknecht), blend, indolent and living in a large open-plan attic. Picture the comic consequences when Julius rents a vacant corner of Stefan's pad—under an assumed name—and thus has a front seat, as 'twere, to witness the progress of his wife's affair.

Dorrie's imbroglio is acute, well-crafted and often very funny: chiefly whenever Julius's glee at his secret knowledge wars with his anguished powerlessness to alter events by acting on that knowledge. Ironies are complicated when the two men become fast friends, sprawling nightly before the TV amid a shambles *of beer and takeaway food*. And eventually they even begin to interchange roles. The sloppy Stefan starts to gift-wrap himself in collar and tie for job interviews, Julius takes to action-painting the attic walls.

Meanwhile, there are piquant passages involving gorilla masks, doner kebabs and nudity in office lifts. If all human life is not here, there is quite enough to be getting on with.

★

That Was Then This Is Now has a different and more resistible plenitude. This is a movie to file under A for "American adolescence, agonies thereof." Emilio Estevez stars in his own screen adaptation of a novel about teenage trials and troubles in suburban Minnesota by S. E. Hinton, the Sibylline chronicler of US youth who gave us *The Outsiders* and *Rumble Fish*. Christopher Cain directs the slice of underweening *sturm und drang*, for rather more than it is worth.

There is crime, danger and accidental death; and there are frequent strains on our credulity. We are asked to believe that Estevez and his best friend (Craig Sheffer) get into trouble in bars because they are minors. (The last time Estevez was a minor must have been under Jimmy Carter.) We are asked to feel a lump in our throats whenever Estevez remembers his loveless childhood. We are asked to—and so on and so forth.

In the hands of James Dean or Marlon Brando, this kind of film had a thud and poignancy back in the 1950s, when the voice of youth was first coming out of the wilderness. But that was then, this is new. A lot of degraded teen-picture schmaltz has since passed through movie projectors, and this is an example.

★

The remaining option this week is *Murphy's Law*, with its delicately mandarin dialogue. "Piss your panty-hose, sperm bank," says the teenage car thief (Kathleen Wilhoite) to whom policeman Charles Bronson, for reasons too far-fetched to explain, finds himself handcuffed for much of the film. They are on the run from the law (and also from a mad killer and the mafia). Miss Wilhoite makes no secret of her disparagement of the average American law enforcer or authority figure. Her advice to them ranges from such suggestions as "Sock on a doorknob, you bozo" to "Why don't you have a hernia, motormouth?" The good news is that she is shot by a crossbow arrow five minutes before the film's end. The bad news is that she survives.

J. Lee Thompson directed this unconscionable drivel and Golan-Globus produced it. Why not rinse your eyes and ears out with the animation season at the Everyman? Everything from Borowczyk to Bugs Bunny, *Fritz The Cat* to *Fantastic Planet*; and there is even an "animation forum" for those who wish to vocalise about the subject. Good value, lasting from November 2 to 8.

The Archbishop's Ceiling/Pit

Martin Hoyle

The capital of a totalitarian European state. The ornate froth of a Renaissance ceiling in a run-down ecclesiastical palace may be bugged. To this omniscient device obeisance must be paid: by visiting American writer Adrian, ex-dissident Party intellectual Marcus, out-of-favour Sigmund, his manuscript confiscated and his liberty threatened, and Maya, mistress (at sundry times) to all and hitting the bottle promptly every night.

Like God, the invisible listener can be flattered, misled, even insulted; but its existence is never ignored and only occasionally doubted. Arthur Miller's 1977 play portrays the genesis of a religion. It also touches on post-Watergate paranoia (as if Watergates were relevant to totalitarian regimes!), power, the urge for self-martyrdom, the selfishness of creativity, reality and illusion. All is discussed endlessly in drab dialogue of unremitting earnestness. Can there be short cuts to power? Could Hamlet have lived happily ever after with the right pills? Since it received its British premiere at Bristol last year, did the RSC really need to do this play?

Not in the Pit, which is handsomely cluttered by Fotini Dimou's set that includes the best-looking Oriental carpets on the London stage. Fragments of plaster angels slung round the theatre suggest the ceiling. The back wall's montage of floridly classical designs marks the echoing corridor where everyone rushes to talk frankly in unbugged privacy (how can they tell?). This leads to one achingly cumbersome piece of staging in Nick Hamm's production where the four main characters stand in a line for reverberantly intimate discussion.

"Let me in on it . . . Are we waiting for something?" cried Roger Allam's well-meaning naff American, here imbued with Mr Allam's well-known teddy-bear-with-intellect lovableness. We wait for the author, not merely the characters, to decide what is important and what is trivial, to peel layer of bluff from double-bluff.

To hoary ideas couched in dully repetitious language the author brings only the occasional relief of threatened melodrama, abetted by some of the actors. David de Keyser is one of nature's, or rather the casting director's, shady accountants and bare signals his untrustworthiness by wearing a Paisley dressing-gown all evening. Not remotely believable as a dissident writer with jail behind him, he is too much the smooth manipulator. In a slinky black number, Jane Lapotaire shows none of Maya's "sublime sluttishness" but plenty of fraught attack, whether clutching Sigmund's head to her tummy like a hot-water bottle, inflecting lines like "the dark meat is goose" with ominous overtones or evoking a comic quest with her wistful sigh of "sarsages?"

John Quentin's recalcitrant Sigmund is one of those characters whose constantly mentioned genius we must take on trust. The same applies, on the showing of this turgidly portentous piece at least, to Mr Miller.

Double bill/Coliseum

Max Loppert


Jane Eaglen and Edmund Barham in "Cavalleria Rusticana"

The new English National Opera productions of *Cavalleria rusticana* and *Pagliacci* — or rather, the new production—starts with a false but not unworkable basic premise, and *upon it erects quite a bright*, lively, effective show. The idea of playing the operas on a single set and, as it were, in the same dramatic milieu is not new.

But Ian Judge, the current ENO producer, has taken the idea a good deal further: all the main characters appear in both pieces, and are interlaced into the action in ways that provide whole new bits of business. During the *Cav* intermezzo the strolling players set up their stage; Nedda dies in Santuzza's arms. This works rather better in the Mascagni—whose structure is loose, and therefore able to sustain additional incident without serious difficulty—than in Leoncavallo's marvellously taut small masterpiece (Santuzza and Mamma Lucia in the *theatre*, the day after their bereavement?). Mr Judge has fussed with the latter's neat life-versus-theatre contrasts.

The setting also causes hiccups of internal coherence—though it should also be said that as the latest sample of this company's brand of re-invented operatic spectacle Gerald Howland's sceens and Deirdre Clancy's costumes are brilliantly purposeful. Sicily is transported, it appears, to Lawrentian *Nottinghamshire*; mine shafts are silhouetted in the cloud-heavy distance, a railway line runs across the back, door terraces line the sides, and hoardings, boas, and other Victorian appurtenances clothe the characters. The Catholic religion, which is of specific relevance to the *Mascagni unfolding*, seems unlikely in this very Anglo-Saxon location.

But I must not make too much of these, because the show moves with sufficient gusto to allay such qualms; and besides, whatever the disadvantages, they are outweighed by the ease with which the company can assume the personalities and clothes required by the production—it's much harder for English opera chorus and English opera singers to don Mediterranean manners with any conviction. As I've already suggested, *Cav* works particularly well in this context; and as a Santuzza pinched, spectacled, and riven with northern passion, Jane Eaglen gives her most effective Coliseum performance so far (the voice comes out cleanly and strongly, though the words are unclear, and extreme register ends still cause occasional anxiety).

Similarly good, intelligent work comes from Edmund Barham, an intentionally unlikeable, shortsighted soldier lad (Mr Barham's long-breathed phrasing and free-based technique compensate very decently for a lack of vocal elegance). Malcolm Rivers (Alfio), Shelagh Squires (Mamma Lucia), and Fiona Kimm as a slinky flirt of a Lola are well in the picture.

The dull patches in the music and the banalities of the scoring are disguised, as far as possible, by the energy and point of Jacques Delacôte's conducting; orchestra and chorus respond in kind, though ensemble on Wednesday was persistently ragged.

The better opera is less satisfactorily cast. To be cruelly frank, a gaping hole is left by Rowland Sidwell, a mild, portly, vocally insecure Canio with little theatrical savour and less dramatic instinct. Helen Field's most beautifully played Nedda sounds strained, as does the dapper English toff of a Silvio that Christopher Booth-Jones gives us. But Nicholas Folwell, working within the dictates (and limitations) of the production, is already well on the way to a darkly powerful Tonio; and that superb operatic character-actor Bonaventura Bottone (Beppe) manages to make much of very little. Overall, then, the balance falls on the credit side; longings for the full-throated Italianate vocalism on which these pieces really thrive were cleverly appeased for most of the evening.

Rattle/Elizabeth Hall

Richard Fairman

With this concert the non-operatic part of the Britten-Tippett festival came to its end. If one looks back over events, it seems that Britten has taken the edge in terms of worthwhile works brought back into circulation. That was certainly the case on Wednesday, when two of his lesser-known pieces were greeted with immense enthusiasm by a capacity audience.

The more important of these was the Cello Symphony. Dating from the early 1960s, this work is central to Britten's thinking in that period. From Britten's own recording it appears an unusually hard nut to crack, rigid tempi, intense concentration, all its features suggest music with an unyielding path to tread.

This performance, however, took a different route. The solo cellist, Christopher van Kampen, was at his most effective when the music turned from rhetoric to contemplation; his expressive approach was seconded by Simon Rattle and the London Sinfonietta. Unfortunately the word "Symphony" is not in the title for nothing and their account of the piece paid a heavy penalty in its lack of symphonic direction.

It may be that Rattle's thoughts were already on the next piece. For with the return to early Britten and the *Quatre chansons françaises* the performers found themselves wholly in their element. These songs might have been written for the soprano Jill Gomez.

Tippett was more modestly represented. A pair of well-known works sufficed: the *Ritual Dances* from *The Midsummer Marriage*, given with addition of the BBC Singers, and the *Fantasia Concertante on a theme of Corelli*, both of them pulsating with urgent and passionate playing. If only the audiences take up the music now that the concerts themselves are finished.

Cherkassky/Festival Hall

Dominic Gill

The finale of Cherkassky's quartet of concerts to celebrate his 75th birthday month was an electrifying performance on Wednesday evening of Chaikovsky's piano concerto op 44—not the famous first, but the second concerto in G major, rarely played, but inevitably a part of Cherkassky's immense and all-embracing repertory.

The orchestra was the London Philharmonic, and the conductor the young Hungarian, Adam Fischer. Cherkassky answered their opening challenge with huge clarion chords that set the whole piano vibrating, and which he nearly stood up from his stool to deliver. And from those opening measures his account was an object lesson in almost every aspect of piano playing—from the magical second subject, earnest and caressing by turns, in which not a single pair of notes was dully or predictably placed, to the electrifying main cadenza, whose final trills rose to full-orchestral weight as the orchestra joined them, but could still be heard clearly above it, shrill and clear.

It was a small pity that Cherkassky did not seize the anniversary opportunity to celebrate with Chaikovsky's original version of at least the adagio—that huge slow movement, virtually a triple concerto by itself for violin, cello and piano, which Alexander Siloti mercilessly cut (in the version usually heard, and played on this occasion) to a third of its true length. Siloti leaves the sole piano with no more than a single statement of the theme at the start of the movement—which Cherkassky delivered with such tenderness, and such breathless concentration, that one forgot to wish for more. How many pianists could learn from his pianissimo—a bell-like sonority, perfectly still and clear, that carries, without losing even a grain of its subtle inflection, to every corner of the hall. The finale was always lighter-weight stuff (and in Siloti's truncation lighter still): but Cherkassky found in it, as well as the expected sparkle and thunder, an exquisite and perfectly original, wicked gleam.

Peking Opera/Sadler's Wells

Clement Crisp


Madame Wu Suqiu

That ancient and irresistible form of theatre, Peking Opera, is back in London for a brief season this week at Sadler's Wells. The excitements of the evening come from the curious amalgam of acrobatics, amazing costumes, juggling, martial arts, voices that swoop and wail feline-fashion, and a stylisation of manner that combines intensity of expression with the most direct communicative power.

The major piece in each programme—whose incidentals may vary—is *Havoc in Heaven*, an extract from the saga concerning the Monkey King. Anyone who has read Arthur Waley's version of Wu Cheng-èn's novel will recognise the scenes here performed: Monkey stealing the peaches of enlightenment and the pills of immortality, and then defeating the armies of the King of Heaven.

In these we sample the most immediately enjoyable elements of Peking Opera. Monkey, in a dazzling performance by Han Zenxiang, spins and cuts capers, fights, sings, and misbehaves in truly simian fashion.

The action is fast, furious in combat, rich in humour (thanks to Mr Han's vivid way with monkey-tricks), and even includes the statutory cohort of sweetly tripping young women. Here, as in the opening *Stealing the Magic Herbs*, where a female warrior defeats fairy guards in combat — lightly repulsing the staves that are thrown at her by four stalwart men—the skills of the performers overcome every barrier of language and theatrical convention.

This is, alas, rather less than the case with the single appearance this season of Mme Wu Suqin in *The Complexion of Peach Blossom*. In a role that she has played for 50 years, as a young girl in love with a scholar, Mme Wu sang as she painted a watercolour of peonies on stage, and behaved with incalculable demureness. Not even her eminence could persuade me that the two scenes on view were anything other than the equivalent of a cycle of Cathay.

Conti and Dunn at Theatre of Comedy

Tom Conti, Clive Dunn and Stratford Johns will star in a revival of *An Italian Straw Hat*, which opens at the Shaftesbury Theatre of Comedy, on December 15.

Adapted by Simon Moore from the original play by Eugene Labiche, Anton Rodgers directs, with costumes by Michael Stennett, settings by Saul Radomsky and music by Michael Nyman.

Continued from Page 16

Music

LONDON

London Philharmonic conducted by Klaus Tennstedt. Bruckner. Royal Festival Hall (Mon). (928 3191).

Philharmonia Orchestra conducted by Owain Arwel Hughes with John Ogdon, piano. Elgar, Rachmaninov and Vaughan Williams. Royal Festival Hall (Wed).

Royal Philharmonic Orchestra conducted by Yehudi Menuhin with Justus Frantz, piano. Handel/Mackerras, Mendelssohn and Vaughan Williams. Royal Festival Hall (Thur).

ITALY

Milan: Teatro alla Scala: with Walter Yeller conducts Rachmaninov with pianist Aldo Ciccolini. Also Dukas and Kodaly (Wed and Thur).

Rome: Auditorium di Via della Conciliazione: Chamber Orchestra of Europe conducted by Gerd Albrecht. Mendelssohn, Schoenberg, Schubert (Mon and Tue). (634 1044).

Rome: Teatro Olimpico: (Piazza Gentile da Fabriano) Berlio, Boulez, Peragallo, Petrassi, Vlad and Xenakis (Wed). (39 33 04).

VIENNA

Vladimir Spivakov, violin. Sergej Bezrodnij, piano. Beethoven, Stravinsky, Brahms. Musikverein (Mon).

Pedro Soler, guitar. Classic Flamenco. Musikverein Brahms Saal (Tue).

Vienna Symphony Orchestra conducted by Ferdinand Leitner with Misha Dichter, piano. Schumann, Brahms. Musikverein (Thur).

John Shirley-Quirk, lieder, Charles Spencer, piano. Purcell, Williams, Pfitzner, Liszt. Musikverein Brahms Saal (Thur).

PARIS

Verdi Requiem performed by Orchestre du Capitole de Toulouse and Concerts Colonne conducted by Michel Plasson with 260 singers from the Vienna Singverein and The Prague Philharmonic Choir (Wed, Thur). *Palais Omnisports de Paris-Bercy*. (4342 0606).

Prokofiev's Ange de Feu in concert version, conducted by Myung-Whun Chung (Mon, Thur). Paris Opéra (4266 5022).

Orchestre de Paris conducted by Christoph von Dohnanyi, Alain Moglia, violin: Schubert, Lutoslawski, Dvořák (Wed, Thur). Salle Pleyel (4563 0796 from 1pm to 5pm).

Jose Carreras recital: Bellini, Tosti, Denza, Cavallo (Mon). Théâtre de l'Athenée (4233 9732).

NETHERLANDS

Amsterdam Concertgebouw. Simon Rattle conducting the Concertgebouw Orchestra, with Maria Ewing, mezzo: Haydn, Ravel, Stravinsky (Wed). (71 83 45).

Rotterdam, De Doelen. The Rotterdam Philharmonic under Hartmut Haenchen, with Ernst Kovacic, violin: Haydn, Mozart, Brahms (Tue to Thur). (414 29 11).

Utrecht, Vredenburg. Ken-Ichiro Kobayashi conducting the Netherlands Philharmonic, with Ilya Grubert, violin: Strauss, Sibelius, Saint-Saens (Wed). (31 45 44).

Amsterdam, Meervaart. Isabelle van Keulen, violin, and Mathias Weber, piano: Beethoven, Mozart, Franck (Wed). (10 73 93).

CHICAGO

Chicago Symphony (Orchestral Hall): Claudio Abbado conducting, Isaac Stern violin, Yo-Yo Ma cello. Mozart, Tchaikovsky (Wed). (435 8111)

NEW YORK

New York Philharmonic (Avery Fischer Hall): Zubin Mehta conducting, Joseph Robinson oboe. Haydn, Strauss (Tue); Zubin Mehta conducting, Eugene Levinson double-bass, Charles Rex violin, Joseph Robinson oboe. Haydn, Hindemith, Koussevitzky, Scriabin (Thur). (Lincoln Center (874 2424).

The New Bel Canto (Federal Hall): Carlos Arevalo vocalist recital as part of lunchtime concert series for the Wall Street area. Poulenc, Weill, Ellington, Ives and others (Mon, 12.15). (Wall & Nassau Sts 269 0320).

WASHINGTON

National Symphony (Concert Hall): Rafael Frühbeck de Burgos conducting, Narciso Yepes guitar. R. Strauss, Rodrigo, Falla (Tue); Mstislav Rostropovich conducting. Barber, Schubert, Rimsky-Korsakov (Thur). Kennedy Center (254 3776).

TOKYO

Hiromi Okada (piano). Beethoven, Brahms, Bartok, Schumann. Tokyo Bunka Kaikan Recital Hall. (235 1661). (Mon).

Smetana String Quartet: All-Beethoven programme. Tokyo Bunka Kaikan Recital Hall (Wed). (235 1661; 237 9990).

Bolshoi Theatre Sextet with Elena Shkolnikova and Aleksandr Voroshilo: All-Russian programme. Chuo Hall (Wed). (235 1661; 237 9990).

Tokyo Metropolitan Symphony Orchestra, conducted by Kazuhiro Koizumi, with Mariko Senju (violin). All-Tchaikovsky programme. Tokyo Bunka Kaikan (Wed). (822 0727).

Waseda University Symphony Orchestra conducted by Edward Heath. Wagner, Haydn, Dvořák. Suntory Hall, Akasaka (Mon. 2pm). (505 1010).

Mitsuko Uchida. Complete cycle of Mozart Piano Concertos. English Chamber Orchestra, conducted by Andrew Litton. Also Haydn. Suntory Hall, Akasaka (Tue). (505 1010).

English Chamber Orchestra conducted by Andrew Litton. Britten, Mozart. Suntory Hall (Wed). (505 1010).

Arts Council crisis

Mr Luke Rittner, secretary general of the Arts Council, said yesterday that the early signs were that the council's grant from the government for 1987-1988 would be well below expectations.

The council is seeking over £160m, but the government was still only offering a 2½ per cent increase on the current year, plus £21m as compensation for the disappearance of the Metropolitan councils. This would mean a grant of £134m, less than the £135m the council received for 1986-87.

If the council actually got this sum Luke Rittner said it would have to withdraw aid from some of its clients. The shortfall could not be met by any other means. The council expects to hear the exact size of its grant by the end of November and in the meantime there will be extensive lobbying to persuade the Minister for Arts to raise the level of support.

A.T.

Saleroom/Antony Thorncroft

A letter written in 1818 by Thomas Jefferson to the leader of the Jewish community in New York, in which he denounces anti-semitism, sold for £275,958 at Sotheby's New York on Wednesday. The price, which compared with a top estimate of $22,000, was a record at auction for any letter. There were 14 prospective buyers and the successful bidder is to lend it to the Yeshiva University Library.

One of Lewis Carroll's original glass negatives, numbered in his own hand, sold for £3,500 at Phillips' photography sale in London. It was bought by the National Museum of Photography in Bradford. The negative, along with a modern print made from it, was of one of his favourite subjects—young girls, in this case May Campbell Taylor. They were sold by a descendent. These are the first Carroll negatives to appear at auction.

Bloomsbury Book Auctions achieved two extraordinary prices for modern first editions yesterday — the three volumes of Tolkien's "Lord of the Rings," 1954, in their original dust jackets, made £1,200, and Graham Greene's early novel Babbling April sold for £580.

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Friday October 31 1986

The sacking of Yamani

WESTERN governments will have mixed feelings about the unexpected dismissal of Sheikh Yamani, Saudi Arabia's long-serving oil minister. There is always something reassuring about the devil you know. This Gromyko of the oil world has accumulated experience and expertise unrivalled by other representatives of the Opec cartel. He has at times been a voice of reason and a stabilising influence; his departure ensures a period of increased uncertainty and volatility in oil markets.

However, it would be easy to overstate the "Yamani as friend of the West" argument. The fact is that this intelligent and persuasive man was for 20 years or so part of the most destructive cartel the world economy has ever seen. Oil prices had to rise in the 1970s given the cheapness of the commodity in earlier decades; but they did not have to rise in enormous and destabilising leaps and bounds. A significant proportion of the 31m people unemployed in OECD countries today would not be jobless but for the ruthless supply-side shocks imposed by Opec in the heyday of its power.

Bolstering revenues

The question, however, is why the Saudi royal family felt the need to sack such an able and experienced minister. The simplest explanation is that Sheikh Yamani is merely the scapegoat for a change of policy that went disastrously wrong. Given the delicacy of Gulf political relations, the seven-year Iran-Iraq war and Saudi Arabia's need for more revenue, it is difficult to believe that the Kingdom would have opted for the strategy of boosting market share had it known that the consequence would be a sub-$10 oil price and a sizeable loss of revenue for cartel members, itself included.

The truth is that the tactic of teaching other cartel members a lesson for cheating under the old fixed-price rules rebounded. The logic was that a short-term oil glut would choke off production outside the Gulf and weaken Western governments' resolve to conserve energy and promote oil substitutes. The difficulty is that few cartel members have the economic strength to ride out the years of famine. Sheikh Yamani's successor is likely to be told to worry less about long-term strategy and more about the short-term bolstering of oil revenues.

Opec may still be able to put itself together. But its short-term problems have been magnified by the huge overhang of oil stocks. Oil consumers have had the sense to buy up supplies while the price was remarkably low. And while members of the cartel are now much more aware of the need for unity and discipline, their chances of achieving it look mixed at best. The discussion in Geneva about how to decide quota allocations was a classic example of the absurdities of cartel economics.

Initial reaction

Until recently, Sheikh Yamani was regarded as an important force for cohesion within the cartel. The markets' initial reaction to his abrupt departure was therefore that oil prices might even soften more than previously expected in coming months. This may be a misreading of events; Mr Hisham Nazer, Yamani's interim successor, has certain advantages as a newcomer. He can more easily let bygones be bygones; he has no residue of hostility to overcome. He may therefore be able to reach agreement with his colleagues more easily.

The important point, however, is that Western governments can do more than merely sit passively on the sidelines while Opec struggles to resurrect itself. Over the next few years, politically unpopular steps ought to be taken to ensure that the momentum of energy conservation does not slacken. Higher oil taxation, particularly in countries such as the US where usage is high and levies low, still makes economic sense. The temporary disarray of Opec should not be allowed to create a false sense of security: oil is a finite resource mainly located in the Middle East. The long-term potential for economic blackmail remains.

Right approach to teachers' pay

MR KENNETH BAKER, Britain's Education Secretary, has risked a great deal by intervening in the detailed setting of pay and job conditions for teachers in state-maintained schools. He has not only added his own clauses to the agreement provisionally made by the English and Welsh local education authorities — which are the teachers' direct employers — and all but one of the main unions in July. He has also declared that unless the authorities and unions agree to his revised version when they meet in a fortnight's time, he will impose it by law. He would do so conjointly with legislation he intends to introduce before Christmas to abolish the Burnham Committee, which for 21 years has been the statutory medium for negotiating the pay of state schools' teachers in England and Wales.

The intended replacement of Burnham by a standing review committee reporting directly to the Education Secretary is in itself an unprecedented step towards the centralisation of the management of schools. By comparison, whether unions and local authorities choose to accept or to be saddled with Mr Baker's proposals on pay and conditions is in the longer run a secondary matter.

But in political terms it is the matter which counts most. Mrs Thatcher and her Cabinet have decided that education is an issue on which they stand to gain or lose decisive votes at the next election. One of the main reasons the public view of the Conservatives' record on education is so dismal is the successive years of disruption of state schooling over disputes about teachers' pay and conditions.

Election prospects

The intervention announced yesterday is an attempt to cut through the machinations of the established negotiating procedures, which for a long time have achieved little more than treatments of the symptoms of deep disorders in the structure of schoolteachers' pay and the conditions under which they are employed. The disorders include the local authorities' present inability to offer market rates to people with qualifications in subjects such as mathematics, physics and technology, design and crafts — subjects in which the schools are severely short of specialised staff.

If the Government's attempt to remedy such underlying ills succeeds, the Tories' election prospects would seem sure to be improved. But if the result were to be further prolonged disruption, public dissatisfaction with their educational record would almost certainly be even worse than it is now. Moreover, Mr Baker's personal political career would probably suffer worse than those of his ministerial colleagues. Even though the intervention has been approved by the Cabinet and Mr Malcolm Rifkind, the Scottish Secretary, is personally associated with the presentation of similar proposals for teachers in Scotland, Mr Baker would bear the party's main blame.

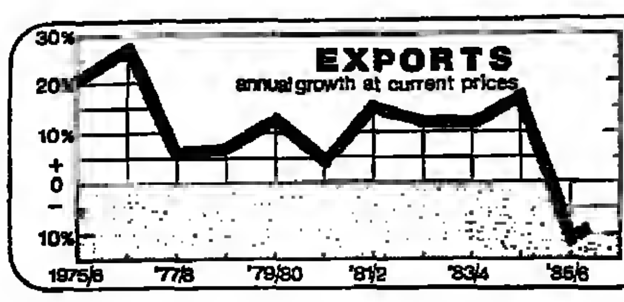
Greater risk

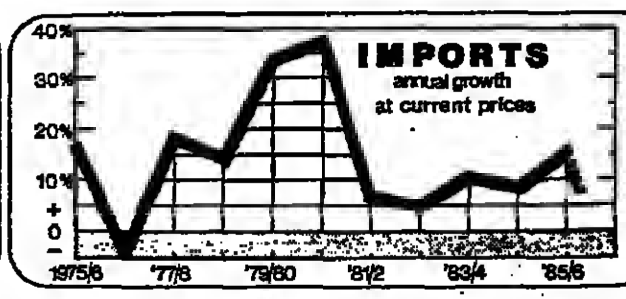
He has gone a lot further than his predecessor, Sir Keith Joseph, and at considerable added expense to taxpayers, to sugar the centralising pill. The 16.4 per cent average pay rise over the current and next financial years, offered to teachers in England, Wales and Scotland alike, would double the £1.2bn extra outlay Sir Keith had envisaged as the price of changed conditions of employment. Mr Baker is hoping that the attractiveness of the offer to individual teachers will neutralise any attempt by the unions to oppose the scheme with continued disruption. He must know that his chances of success are little better than evens.

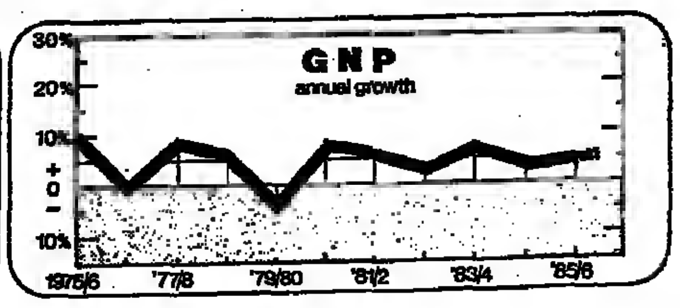
Whatever the risk to the Conservatives and to their Education Secretary, however, the risk to the taxpayers is greater. The large increase in public expenditure represented by the proposals, and its possible knock-on effect on public-sector pay in general, will only be justified if the intervention results in a schooling service which is more effective.

It is to Mr Baker's credit that he has taken a most important step which can only improve the likelihood of that result. He has included in his additional clauses provisions enabling state schools to offer higher pay to attract into teaching the missing specialists in maths, science, technology and so on, as well as to reward excellence in classroom teaching as distinct from administration. The lack of a pay structure which rewards individual performance and can respond to the market has long been one of the education service's direst ills.

RAJIV'S INDIA TWO YEARS ON







'See it in perspective'

By John Elliott in New Delhi

"NOTHING HAS really changed in this country you see," said a friend after his New Delhi office and home had suffered the sort of tax inspectors' anti-corruption raid that recently shut the Bombay Stock Exchange for four days. "They have taken all my files away and I cannot work, but they're coming back today and this," he added, taking a thick wad of rupee 100 notes from his desk drawer, "will get the files back."

That sort of cynicism about the apparent failure of Mr Rajiv Gandhi to stop corruption and impose other dramatic changes on one of the world's most unchangeable countries is becoming fashionable inside and beyond India. It was two years ago today that Mr Gandhi was thrust into the role of Prime Minister when his mother, Mrs Indira Gandhi, was assassinated by her Sikh security guards.

Now, after some setbacks, it is frequently said that India, a patchwork of 760m people of varying creeds, castes and races, is getting on top of the 42-year-old Mr Gandhi instead of the reverse.

Corruption is still rampant and bureaucrats reign supreme, many determined to maintain their power and thwart economic liberalisation policies. Mr Gandhi's early boast of heading a government that "works faster" is mocked by those who point out he has reshuffled his Ministers five or six times. The quality of his leadership of the intrigue-ridden Congress I Party, which faces the risk of significant regional election defeats early next year, is also the subject of adverse comment.

Sikh unrest and violence in the Punjab has also worsened, threatening Mr Gandhi's own life and the confidence of his government. On the other side of the country in North-East India, another martial race, the Gurkhas, are starting their own communal agitation around the tea gardens of Darjeeling. And relations with Pakistan are at their lowest point for over two years.

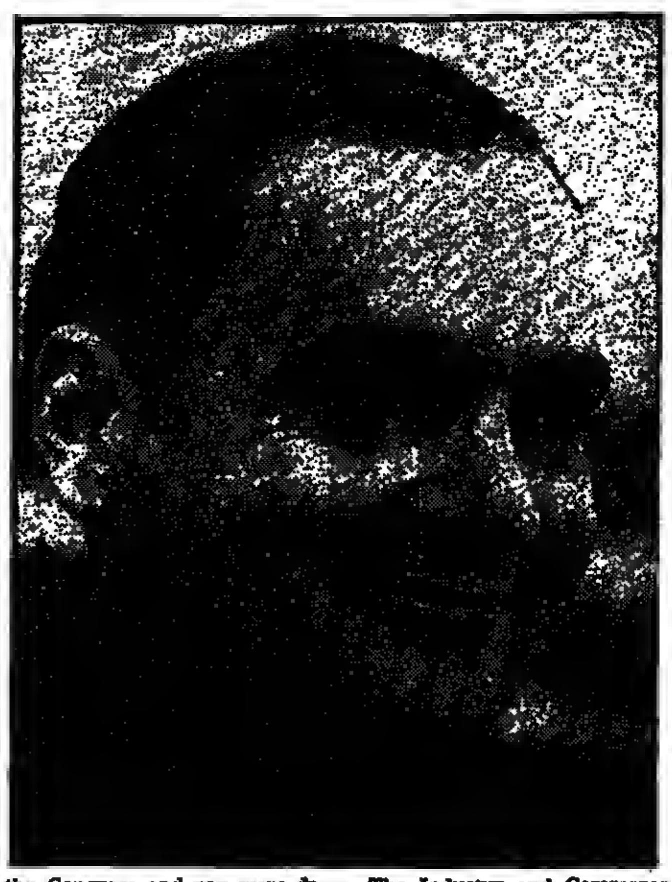
Against this background, Mr Gandhi's personal style and statements sometimes seem brittle and exaggerated. Even his strongest supporters agree privately that he shows some signs of a petulance which they ascribe to a lack of political finesse, and youthful impatience when his ideas are not implemented. The problem is said to be compounded by the stress of living with his young family and his closest colleagues in a suffocating—though not always effective—ring of tight security.

But by any fair standards, Mr Gandhi has achieved a lot. "The country used to move at a snail's pace, now it moves slowly," says one diplomat.

Mr Gandhi's image is suffering because he is the prisoner of unrealistically high international expectations; adventurous policy statements have not been matched by actual change.

He is trying to reform a status-conscious country whose powerful vested interests in politics, the bureaucracy, industry, and rural areas see their sources of power, patronage and wealth threatened.

Unlike Western countries, India is not run by horizontal tiers of authority, but by often corrupt and usually self-seeking webs of interlinking vertical power structures, where influence and prestige depend on caste, religion, who you know or can claim to know, and to whom you are related, however distantly. These are the forces that get things done in India and they encompass the village stallholder as much as the Cabinet Minister; the web can easily link the two. This reduces the authority of Western-style administrative institutions, which themselves decayed during the rule of Mrs Indira Gandhi.



Mr Gandhi's most serious failing, which could one day undermine his political future, is that his style assumes the existence of effective Western-style delegation.

"He tends to deal with one thing and then quickly moves on to another without attending to the follow-up, so things don't get done," explains one close adviser.

"He believes his job as PM and leader of the Government ought to be to set directions, to evolve goals for policies, and then other people should implement these policies; he does not seem to believe it is the role of the PM to follow through," says Mr Pran Chopra, a distinguished political commentator. "But he doesn't have the instruments to run that sort of modern government, and the institutions he does have atrophied under Mrs Gandhi who did all the details herself but often ignored the direction of policy."

Power when Mrs Gandhi was alive centred around her office and her Congress I party, often corruptly. As Mr J. R. D. Tata, the 82-year-old head of the giant Tata industrial empire, explained recently in the Illustrated Weekly of India magazine: "You paid money to the Congress and you were in. You got everything you wanted—(industrial) licences, growth, the support of the party. That was the policy. *Now Mr Gandhi* has changed all that."

Corruption has, of course, not been stopped. Businessmen and others say that enhanced life-style ambitions, fuelled by Mr Gandhi's policies, have, if anything, increased demands for small backhanders of up to a few hundred rupees by thousands of bureaucrats. Large companies say kickbacks of up to 5 per cent of contract prices are still sometimes sought, but in a far less systematic way than under Mrs Gandhi.

The government department most widely praised for its attempts to clean up its operations and to follow through with new policies is the Finance Ministry, run by Mr Vishwanath Pratap Singh, the Finance Minister. Significantly, while every other senior cabinet minister has had his job changed in Mr Gandhi's reshuffles, Mr Singh has remained.

Mr Singh has produced long-term policy documents on fiscal matters, taxation, and administered pricing, and has gained credibility.

The Industry and Commerce ministries, though far less effective than the Finance Ministry, have issued a long *series of policy initiatives* aimed at liberalising industrial activity and at boosting exports. Government officials estimate that about 70 per cent of total manufacturing has been covered by relaxations of industrial licensing procedures which have grouped many products into 32 broad licensing bands, have de-licensed 28 industries, and allowed others unlimited production for export.

"As long as I can sell junk in quantity in this country, I will make junk—it's always been quantity not quality that's mattered here, and the junk has sold," says one of the country's most respected industrialists. "Now the internal competition has started building up in manufactured goods and that is an improvement."

But leading industrialists are complaining that their operations are still hemmed in by registration and control systems and that civil servants hold so much sway that the impact of even last weekend's export initiatives will be blunted. The big companies have also come under attack from Mr Gandhi for "letting the country" down by not exporting enough.

Behind this clash lies reluctance on the part of many big companies to move away from their "junk" domestic market into riskier business abroad — another example of the country's vested interests resisting change. But at the same time Mr Gandhi has failed to help big companies streamline by shedding surplus labour, because any additions to unemployment, as ever, are political dynamite. He has yet to face up to the issues of the industrial closures and massive job shedding.

Despite these problems, foreign companies are still pouring into India looking for business. Although the number of foreign collaborations approved is down this year on last year's figures—355 compared with 439 between January and June—the flow of collaborations from the four main countries involved, West Germany, the US, UK and Japan, has not declined. Major US companies now seeking equity stakes including Pepsico and Dupont which is planning its first financial investment in India with 40 per cent of a £70m nylon fibre plant. IBM is also considering setting up again having moved out in the late 1970s.

In general terms, the country's economy faces no immediate crisis but urgently needs the boost to export earnings that the industrial and export policies are supposed to achieve. The trade deficit increased by 66 per cent last year. Industrial growth is thought to be approaching 8 per cent a year but overall economic growth is below target at nearly 5 per cent a year.

Industrial progress generally is held back by the poor performance of many basic industries and a lack of infrastructure.

A Ministry of Programme Implementation has been set up by Mr Gandhi to monitor these areas.

Internationally, Mr Gandhi has successfully struck a new non-aligned balance in relations with the US and the Soviet Union.

Only with Pakistan have things gone badly wrong. From a high point last December when President Zia Ul-Haq visited Delhi, relationships have collapsed into mutual recrimination. Pakistan has raised again the issue of which country should control the northern state of Kashmir, and the question of nuclear proliferation continues to disturb relations. But probably the most crucial immediate problem is the insistent claim by India that Pakistan is training Sikh terrorists and infiltrating them into the Punjab.

Mr Gandhi says he has suspicions that Pakistan was somehow involved in a Sikh's assassination attempt on him last month in Delhi, and he attacked Pakistan in terms which even his aides admit were intemperate for the Pan Am hi-jack at Karachi airport last month.

In domestic politics, Rajiv's biggest failure is the Punjab. He did not follow through the accord he struck last year on economic and political issues with the Sikhs and so allowed deadline after deadline to be missed. There are now no imminent political initiatives on Punjab and immediate hopes rest on recent improvements in the effectiveness of security forces.

On the other hand Mr Gandhi has negotiated settlements for long-standing trouble spots like Assam and Mizoram.

Within his own Congress I Party, however, Mr Gandhi faces growing dissent from leading politicians he has dropped, notably Mr Pranab Mukherjee, Mrs Gandhi's former Finance Minister. Mr Mukherjee plans to challenge Mr Gandhi's party in state elections in West Bengal early next year.

But for the time being there is no challenge to Mr Gandhi and no credible alternative leader. India is therefore Mr Gandhi's preserve to rule as effectively as he can, continuing the dynasty that was started by his grandfather, Jawaharlal Nehru, India's first Prime Minister.

Next August, two years of national celebrations will start with the 40th anniversary of India's independence and will continue till November 14 1989, the 100th anniversary of the birth of Mr Nehru. The revered Nehru memory rather than the more questionable inheritance of Mrs Gandhi will therefore be available as the basis for Mr Gandhi's general election campaign for a December 1989 election, assuming his present administration runs its full course.

In the meantime, judgments on his progress need to be made against realistic expectations. As one diplomat put it: "Western people who are looking from outside and are saying 'My God, it's all getting on top of him' should see India in perspective — how fast can Thatcher or Gorbachev with all their experience get change?".

Men and Matters

Saatchi's indigestion

The dyspepsia caused by swallowing Ted Bates, the US-based multinational advertising agency, is not over yet for the harrassed brothers Saatchi.

While this latest, most expensive (at $450m) and, arguably, most controversial buy of the Saatchis' 16-year-old history may have brought them the coveted number one spot as the world's largest agency group, it also triggered a good deal of indigestion.

Unrest among major clients, a number of whom headed for the door fearing account conflicts, a yo-yoing share price and management confusion amid rumours of a global restructuring of the three-agency group, have earned the British golden boys of advertising much unwanted publicity.

No sooner has the dust settled over the dismissal last month of Bates' autocratic worldwide chairman, Robert Jacoby, in New York, than I hear news of the sudden departure of Bates' London chairman, Chris Woollams.

At 35, Woollams was one of the youngest-ever multinational agency chairmen, on his appointment just over a year ago. His removal while on holiday is said to be a Bates, as opposed to a Saatchi, decision. It is probably not unrelated to recent public pronouncements in which he described the confusion following the deal as "management by Sellotape."

"Do you want Green Stamps or the Sheikh Yamani commemorative mug?"

Winter fuel

Never mind coals to Newcastle, what about peat to Ireland?

Next week the first of seven shiploads of peat briquettes from Finland will dock at Greenmore, County Louth, to help ease a serious domestic shortage.

Irish bogs have been so sodden after two successive summers of miserable weather that peat production during this year's harvesting season was down by almost one third. Meanwhile summer consumption soared in the cold temperatures, eating into stockpiles.

As a result, Bord Na Mona, the state peat company, has had to impose strict limits on supplies to fuel merchants of briquettes, oblong chunks of compressed milled peat which are widely used as a domestic fuel in the Republic and Northern Ireland.

When David Patton, a general merchant in Monaghan, was told his winter allocation from *Bord Na Mona* was just 14 tonnes he decided to turn to Vapo, the Finnish state conglomerate from which he had previously bought timber. His was not the only Irish company to do so, but he was willing to take Vapo's entire export allocation of 14,000 tonnes and he won the contract.

"All 2,150 tonnes on the first ship is sold. There'll be between 40 and 60 trucks queueing for it and most will be back for the second boat which is already three-quarters sold," said Patton. Most is going to Northern Ireland where fuel is vat-free, making it cheaper than in the South where it carries 10 per cent vat.

Patton denies he is making a killing. The Finnish briquettes cost I£1.10 per bale at the quayside, compared with a similar retail price excluding vat for the domestic product in the republic. "We won't get fat on this but I think its the start of something" Patton said.

Evidently conditions for peat production in Finland are more reliable than Ireland. The only worry was the threat of nuclear contamination after the Chernobyl disaster. But Patton says the Finns scraped two metres of peat off the top of their bogs as a safety measure and the briquettes he has bought have a radiation certificate reading "close zero."

Wire-works

Sir John Harvey Jones got a song written about ICI's chemical works; now Jack Laird, chairman and chief executive of Bridon, the wire and rope maker, is having his company's production processes put on *canvas*.

In one of the more unusual initiatives for Industry Year, Bridon has commissioned a local Yorkshire artist, Edna Lumb, to paint a series of 10 pictures of such esoteric activities as steel rod patenting and wire rope stranding.

Lumb, whose work is in the permanent collections of a number of major galleries and museums in the UK, has a reputation as one of the foremost interpreters of the working environment in Britain today.

Her studies over the past 17 years have included the textile mills and machinery of Yorkshire and Lancashire, London's sewers and pumping engines, and facets of the steel, coal and *railway industries*.

"Industrial landscapes have always fascinated me since my childhood in Leeds," she says. "Quarries, slagheaps and pitheads brought a sparkle to my eye . . ."

Nott's horizons

It was Sir John Nott, chairman of merchant bank Lazard Brothers, who said it yesterday: "Merchant bankers can become rather narrow in their outlook. They can easily think they know all the answers. But none of us in this world can possibly know all the answers."

With these strictures upon his trade Nott was explaining why he has invited Roger Bexon, aged 60, a life-long oil man, recently retired from the deputy chairmanship of British Petroleum, and now chairman of Laporte Industries, to join Lazards as a non-executive director.

From a London hospital bed, where he is imprisoned until the weekend after a back operation, Bexon says that Lazards want to make use of his international business experience—he has lived and worked in North America, Africa, and the Middle East, and has spent 25 years of his BP service out of England.

Nott dismisses any notion that Bexon is to be the bank's oil specialist. "We need people at board level with wide knowledge of the outside world."

Sir Ian MacGregor, former chairman of the nationalised steel and coal industries, was also recently recruited by Nott to the Lazards' board to give general advice.

Speaking of his boardroom acquisitions Nott says, "We may bring in one or two more yet."

Short order

Heard from a Whitehall secretary on the telephone: "He's just gone to lunch, sir, but I don't think he'll be long—nobody took him."

Observer

Syria after the Hindawi affair

Assad's grip falters

By Tony Walker

Assad: a manipulator with problems.

PRESIDENT Hafez al-Assad's reputation as a shrewd manipulator of events in the Middle East is hanging in the balance. Suddenly, it seems, Syria is hemmed in by enemies on all sides.

Even its relations with Iran are in danger of turning sour. This despite the fact that President Assad has maintained his alliance with non-Arab Iran at some cost to his standing in an Arab world concerned about the way Iraq has been losing ground to Iran in the Gulf War.

There can have been few more difficult moments in Mr Assad's 16 years in power.

The conviction in a London court of a Jordanian carrying a Syrian passport on charges of plotting to blow up an Israeli El Al airliner, with the ensuing outcry against Syria, is merely one of a number of factors adding to pressures.

Syria's economic crisis, the apparent failure of its policy in Lebanon, worrying developments in relations with Iran, difficulties with fellow Arab states and threats of renewed Israeli belligerency are items in a long list of problems.

It may well be that the Syrian leader's vice-like grip on his country's affairs is beginning to weaken, when Syrians themselves are even daring to suggest in private that cracks may be appearing in the Assad edifice. Details that emerged during the Hindawi trial indicating extraordinary ineptitude by Syria have added to questions about Mr Assad's command of events.

"*If you believe* that the Hindawi operation was mounted without the knowledge of the President, it is evidence of his weakened authority," says a Western official.

However, in an intensely secretive and centralised administration, there is no sign of overt opposition to the Syrian leader. Nor is there any conspicuous alternative.

Apart from a crisis-ridden economy, Mr Assad's main problem appears to be how to manipulate various issues involving the Iranians, including Iran's burgeoning influence in Lebanon through the activities of its extremist Shi'ite Moslem proxies, the Hezbollah (Party of God).

Growing Hezbollah strength, particularly in south Lebanon, at the expense of the more secular Syrian-backed Shi'ite Amal militia, is a major worry in Damascus at present. Scarcely a week passes without evidence of conflict between Syrian troops in Lebanon and the Iranian-supported Hezbollah. This week four Syrian soldiers were reported kidnapped by Hezbollah militiamen in the Bekaa Valley.

"The evidence this year has shown that Syria has less and less means to control the situation in Lebanon," says the Western official.

A barrier to more direct Syrian intervention in South Lebanon is concern that such action may draw Israel into the conflict. The Syrians are said to have a "real gut worry," as one observer puts it, about Israeli plans for retaliation following the Istanbul synagogue attack earlier this year in which more than 20 people died. Israel has accused the fanatical Palestinian Abu Nidhal group, which maintains an office in Damascus, of responsibility.

If present trends continue, Syria's ability to influence events in Lebanon is likely to diminish further.

Tensions between Damascus and Teheran over Lebanon have been obvious for some time. The surprising thing, perhaps, is that these differences have been contained. Syria's accord with Iran on the Gulf War has remained more or less in place.

President Assad is indeed credited with finessing Iranian concern about a possible shift in Syria's posture when, in the middle of this year, Jordan's King Hussein tried to promote reconciliation between Damascus and Baghdad. Iran quickly resumed suspended oil supplies to Syria among several other measures to bolster the alliance.

Now, however, judging by the activities of its proxies in Lebanon, Iran feels less concerned about displeasing Syria, particularly since Iran's military circumstances on the Gulf battlefield improved with its seizure in February of the Faw peninsula in Iraq's far south.

This in turn has weakened Mr Assad's power to persuade Arab states that he is in a position to exert a moderating influence on Iran. Only Saudi Arabia is continuing to fund Syria under the terms of a 1978 Arab League summit agreement which decided on the level of funds to be allocated to states "confronting Israel." Kuwait has stopped its funding in protest at Damascus's support for Teheran.

But, despite the pressures on him, President Assad is not expected to abandon his Gulf War strategy. He will "cling on until the last minute" in the hope that Iran can force the removal of President Saddam Hussein of Iraq, says the Western official.

If there is a bright spot for Syrian policy in these difficult circumstances, it is that there is no real prospect of progress in the peace process on terms that Damascus would find unacceptable (such as a separate arrangement between Jordan, the *Palestinians* and Israel which ignored Syria's concern about the Golan Heights, occupied by the Israelis in the 1967 war.)

Damascus helped to undermine the 1985 Amman accord signed by King Hussein and Mr Yasser Arafat, the Palestine Liberation Organisation chairman, which proposed steps towards a resumption of peace efforts that Syria feared may have resulted in its exclusion from the process.

Syria demonstrated in that case that it effectively retained the power of veto over the Arab position in the Middle East. But *Mr Assad cannot necessarily remain* sanguine about Syrian influence over the Palestinians, although there is talk in Damascus about reconciliation among warring Palestinian groups. This week's show of strength in south Lebanon by Arafat loyalists in conflict with the Shi'ite Amal militia will not have been overlooked in the Syrian capital.

Palestinian fighters broke an Amal siege on refugee camps in south Lebanon and went on the offensive, overrunning a number of Shi'ite villages in what is seen as perhaps the most significant operation by the PLO in Lebanon since it was ousted from Beirut in 1982 following the Israeli invasion.

But whatever his problems in the Arab world Mr Assad cannot expect much respite from the wave of disapproval in the West about alleged Syrian links with terrorist incidents. Trials about to begin in West Germany, Italy and France may provide further damaging evidence about Syrian involvement in international terror.

Syria's leader has in the past managed to turn such difficult circumstances to his country's advantage. He has built Syrian power and influence on a relatively flimsy base (Syria is not blessed with oil riches) but he has proved himself, under pressure, a deft manipulator of events.

Nevertheless, under the sheer weight of the problems besetting his militarily powerful yet economically weak country, Mr Assad may well be facing his most searching test.

POLITICS TODAY

The arrogance of power

By Malcolm Rutherford

THE House of Commons debate on the Defence Committee's Reports on the Westland affair that finally took place on Wednesday turned out to be less about the affair itself than about the role of Select Committees.

Parliament won a small victory in securing a promise from Mr John Biffen, Leader of the House, that there will be no further attempt to curb the committees' powers without consultation. But the battle is far from over and it is not at all clear that everyone realises how important it *is*. So first some background.

Select Committees are not new. They were around in the 19th century. They returned to vogue, prompted by the late Richard Crossman, in the 1960s, though in those days they tended to be referred to as "*specialist*" committees. What are new, or relatively new, are the departmentally-related committees introduced by Mrs Thatcher's Government when it came to power in 1979.

The hopes of reform were then very high. Announcing the proposals, Mr Norman St John-Stevas, Leader of the House at the time, said: "Today is, I believe, a crucial day in the life of the House of Commons. After years of discussion and debate, we are embarking on a series of changes that could constitute the most important parliamentary reforms of the century."

He said a great *deal* else besides. For instance: "The Government will make available to Select Committees as much information as possible, including confidential information . . . I give the House the pledge on the part of the Government that every Minister from the most senior Cabinet Minister to the most junior Under-Secretary will do all in his or her power to co-operate with the new system of Committees and to make it a success. I believe that declaration of intent to be a better guarantee than formal provisions laid down in Standing Orders."

The case for the reforms, fully accepted by the Conservative Government, was that the 20th century Parliament was not effectively supervising the Executive. Thus the new Select Committees were deliberately set up to redress the balance of power between the Executive and the House of Commons.

The committees are cross-party. There are 14 of them with about 10 members each. They shadow the work of Government Departments — Agriculture, Energy or whatever — asking questions, holding hearings, sending for papers and producing reports. There is also a liaison committee which, as its name implies, considers and advises on how the Select Committee system as a whole is working.

In my own view, the system has not been quite as effective as it might have been. Too often the questions are excessively deferential: promising lines of inquiry are not followed up. Sometimes, say when Mr Brian Sedgemore, the left-wing Labour MP, is questioning Chancellor Nigel Lawson before the Treasury Committee, there is simply no meeting of minds and therefore no possibility of dialogue. Yet the committees have elicited information that may not have been otherwise available. They are a step towards more open government and give back-bench MPs a role beyond being lobby fodder.

The Westland affair was, on the face of it, an ideal subject for Select Committee investigation. After all, the practice of collective Ministerial responsibility virtually broke down when the affair was at its height. Two Cabinet Ministers resigned and there were all sorts of allegations of improper leaks of Government information. Surely the House of Commons, and through it the public, was entitled to know more about what had been going on.

The Defence Committee set about the task. It was impeded in its work by the refusal of the Government to allow certain key civil service witnesses involved in the affair to appear. Sir Robert Armstrong, the head of the home Civil Service and Secretary to the Cabinet, who had conducted his own internal investigation, appeared for them. The result was that the findings of the reports were incomplete, though — to give credit to the committee—it still produced a pretty damning and credible indictment of government behaviour.

We now move to the Government's response to the Defence Committee's Report, especially the fourth report on the Government's decision-making. It was published with the minimum of fanfare just over two weeks ago and appears to introduce a doctrine far removed from everything promised by Mr St John-Stevas in 1979.

The final sentence of the concluding paragraph says: "The Government proposes to make it clear to civil servants giving evidence to Select Committees that they should not answer questions which are or appear to be directed to the conduct of themselves or of other named individual civil servants." Much of the present argument is about the implications of that statement.

Quite apart from the merits or demerits of the Government's case, it was a most peculiar way in which to make it known. As Mr Terence Higgins, chairman of the Select Committee on the Treasury and the Civil Service, said in Wednesday's debate, his own Committee had produced a major report on "Civil Servants and Ministers: Duties and Responsibilities."

> Too often the questions are excessively deferential: promising lines of inquiry are not followed up

The Government's response to that was published on the same day as the Defence Committee published its report on the Westland affair. That would have been the proper context in which to have said something about relations between civil servants and Select Committees. The opportunity was not taken. Instead the new doctrine was slipped into the Government's response to the Westland reports.

The objections to the proposed new course duly surfaced on Wednesday. Sir Humphrey Atkins, the (Tory) chairman of the Defence Committee, said that it amounted to a blanket instruction designed to cover all civil servants at all times and warned the Government not to move further without consultations with the Select Committee if it wanted to avoid a clash.

Sir Edward Du Cann, a former Tory chairman of the Treasury Committee, suggested that the Government was risking impairing the whole Select Committee system on the basis of one exceptional case: namely Westland. Dr John Gilbert, a Labour member of the Defence Committee without whom the Westland inquiry would never have been so penetrating, called for a united front of all Select Committees and the Liaison Committee. Mr Higgins said that the Government's new approach was simply wrong. Parliament is sovereign: it can call for any person or papers it chooses; it just happens to exercise discretion.

There were all kinds of other practical points. Civil servants may be responsible to Ministers, but no Minister nowadays can be expected to know every detail of what is happening in his Department, including expenditure details. Dr Gilbert, as a former Defence Minister, said that Ministers in that Department rarely looked closely at any item costing less than £25m. It would be impossible to have proper scrutiny without the committees being able to call on civil servants.

In the end, Mr Biffen announced the Government's concession: there will be consultations with the Select Committees and the Liaison Committees before new guidelines are issued. It had been necessary, he said of the Government's response to the Westland Reports, to "put down a marker." At least it has been noticed and the House of Commons can fight back. The difference between the promise of 1979 and the Government's behaviour now is the arrogance of power.

Two other brief points about the debate. There is recurrent speculation about whether Mr Leon Brittan and Mr Michael Heseltine, the two resigning Ministers, will return to the Cabinet. After Mr Brittan's attack on Mr Heseltine on Wednesday, it is difficult to see the pair of them in the same Cabinet ever again.

The other is that if, as many people suggest, the person most in need of questioning about Westland is the Prime Minister, then Mr Neil Kinnock should have led the debate from the Labour side. It was a curious lapse to leave it to his subordinates.

Letters to the Editor

Register of vacant land

From Mr H. Law

Sir,—Prince Charles' castigation (October 29) of builders for not developing inner city sites, prompts one to ask what became of the government's much vaunted register of vacant land? Since the register is not fulfilling the purpose for which it was set up, perhaps it needs fiscal teeth.

If sites and buildings of zero rateable value were made subject to a levy based on their current market value, their owners might be more inclined to release them for development.

Henry Law,
19 Queens Gardens,
Brighton, Sussex.

The business lobby

From the Chairman, North West Regional Council, Confederation of British Industry

Sir,—It was disappointing to read such a poorly constructed article as the one which appeared on October 22 — Hazel Duffy's, "An awkward inheritance." One is left with the opinion that the writer starts with the premise that "the CBI's influence on Government which the vast majority of members support has probably never been lower" and then uses a series of undoubted CBI successes to (dis)prove her point. In order to add a little spice, Ms Duffy has a liberal sprinkling of comments by prominent people on subjects taken, in the main, completely out of context.

CBI's prime purpose in life is to lobby on behalf of British business no matter the size or type of business, whether manufacturing or service whether private or state. Contrary to other organisations who often reflect the views of a minority of their members (or even the staff!) the CBI goes to great lengths to ascertain the views of its members through an efficient regional structure. By doing so, it can truly claim to have the pulse of British business and can represent its interests whenever these are seen to be threatened.

Its record, as Ms Duffy recognises in part, is impressive. Not only on subjects like unitary taxation, changes to the financial services bill, Government training schemes and removal of the national insurance surcharge but Ms Duffy might have listed successes connected with infrastructure spending, inner city regeneration (spearheaded by the north west), electricity and fuel charges, increases in the road building programme, the Severn Bridge and the development of Manchester as an international gateway airport. I could list more to prove the point that CBI successfully lobbies with the support of the majority of its members which is what it is paid to do.

Naturally we lose some but our failures are small in number compared to our successes.

It is not our experience that many CBI members, are privately unhappy with the organisation. Here in the north west, members have never been afraid to criticise and to speak out for themselves but Ms Duffy should not confuse healthy and constructive criticism with unhappiness but then the "positive" is rarely accentuated by the media.

Somewhere along the line, Ms Duffy has got her facts and opinions mixed up and the result is an article which does no justice to the subject and even less to the writer.

Bruce Scott,
Emerson House,
Albert Street,
Eccles, Manchester.

Technology in Europe

From Mr G. Ford MEP

Sir, — Klaus Toksvig and Carlos Robles Piquer's letter (October 27) on the desparate need for adequate funding of the second framework programme in the European Community, which the British Government is blocking was timely. Unless a figure very close to the ECU 7.7bn requested by the Commission is agreed then the finance available falls below the minimum necessary for any worthwhile programme at all. The implication of this would be that Europe would abandon any attempt to even start along the path of becoming competitive with Japan and the United States in high technology. The long term consequences for the people of Europe are too dire to contemplate.

Related to this is the statement in the letter that "National technological programmes need periodical adjustments which may involve standstills and even cuts in public expenditure." I can only completely disagree. Britain and Europe's future is dependent on becoming competitive in high technology. This will come about from adjustments in technology programmes and increased expenditure at National and European levels. In Britain we can clearly see the consequences in loss of morale, loss of effectiveness and loss of skills that have followed reductions in research and development spending imposed by the Government in universities and research councils. Robbing Peter to pay Paul does not work.

Glyn Ford,
3 Market Place,
Ashton-under-Lyne,
Lancs.

Wordsmith in error

From Doina Thomas, Mr J. Percival and Mr J. Graham

Sir, — It was with profound shock that we read (October 18) Richard Lambert's article on investment and speculation.

The *substance of his article* was beyond reproach, but his opening reference to Jeeves as a butler raises issues of fact and principle which we cannot overlook.

Although Bertie Wooster acknowledged that Jeeves could buttle with the best of them if need arose, there are several incidents in the Wodehouse corpus where characters were stunned into silence at his being so described.

Jeeves, Sir, was NOT a butler. He was a gentleman's gentleman.

Doina Thomas, John Percival, John Graham,
La Chaise, 24350 Tocane,
France

When chartists rave

From Mr B. Marber

Sir,—On October 24 Lex noted: "And for those who look at charts, the market is still shy of its 200-day moving average."

I look at charts, in fact I do practically nothing else all day long and (according to my wife), most of the night as well. But I haven't the faintest idea what Lex means. And if I don't understand (and I am the third oldest *living* chartist in this country) I wonder if anybody else understands either.?

Your otherwise excellent paper is still shy of technical analysis; Richard Lambert recently referred to "the ravings of the chartists" in an article devoted to the psychology of markets. What a paradoxical juxtaposition, chartist being the only group of analysts to pay any attention whatsoever to human psychology in the market place. That is why (as Samuel Brittan acknowledged, Lombard, December 18 1978), chartists have been the only successful forecasters of foreign exchange market movements for many years, that market being the most psychological and emotional of all.

Chartists do not rave except when the Financial Times fails to take us seriously. Is it not about time you did?

Brian Marber,
16 Charles II Street, SW1.

Introductory commission

From Mr J. Rayner

Sir,—We must record our objections to the gross misinterpretation contained in the article by Clive Wolman (October 17).

It is simply not true that insurance intermediaries, bank, or building society managers, tied agents, etc, receive 120 per cent introductory commission on the contracts mentioned. Introductory commission is levied on the regular annual premium and is expressed as a modest percentage of the premium the contractual term of the policy; there is an overall maximum of 57.5 per cent on pension related contracts and 69 per cent on regular investment/mortgage plans plus renewal commission. The initial commissions are payable over a two-year period.

We strongly object also to the suggestion that advice given, perhaps takes only 30 minutes. This is utter nonsense and ignores the time spent on preparation, administration; intermediaries product and technical knowledge and further education, and also the continual services shown towards the client in respect of annual reviews—which is particularly important on pension related business.

How pleasing it would be if articles did not mislead the public and discredit the insurance companies in their dealings with intermediaries, and in future gave greater recognition to the high standard of professionalism with our industry.

J. C. Rayner,
Collinge Rayner Associates,
63a Bristol Road South,
Northfield, Birmingham.

Light on motor taxation

From Mr D. Odling

Sir, — Mr Richard Diment of the British Road Federation (October 28) throws some useful light on revenue v costs for motor taxation, when he states "The government forecast of motoring tax revenue (from cars, light vans and taxis) to cost ratio for 1986-7 is for tax to exceed costs by 3.7 times. Even if all road vehicles are included, tax is still 2.8 times greater than costs."

His light could be more illuminating for, if I interpret his figures correctly, he is stating that his federation's members (owners and operators of medium and large lorries) are not paying their full whack and are being subsidised by the owners of cars, light vans and taxis.

D. N. Odling,
2 Laurel Bank, Stamford Road,
Bowdon,
Cheshire.

FINANCIAL TIMES

Friday October 31 1986

Lionel Barber *looks at why money equals muscle in US politics*

Democrats losing battle of the big spenders

MR RICK GILMORE, a Democrat long-shot for the US House of Representatives in Wyoming, had a nasty shock when he asked 700 Political Action Committees to provide campaign cootributions. By the middle of this month all 700 had turned him down.

Mr Gilmore, with $3,500 in the bank, is the exception to the rule in the 1986 US mid-term elections. By any measure, the House, Senate, and gubernatorial races will go down as the most expensive contests to date.

At the end of last month, total receipts for Senate candidates alone amounted to $140.8m, a 25 per cent increase on 1984. Spending has risen by 27 per cent to $121m while cash in hand is up by 62 per cent at $27.5m.

In the last days of the campaign, both Republicans and Democrats are agreed *on one* issue: money matters. It can buy that extra 30-second TV broadcast, finance that final mail-shot and pay for the top-dollar political consultants and pollsters, who this year are out in force.

Mr Don Sweitzer, director of the Democratic National Committee's finance committee, says: "Like it or not, money can make all the difference in a tight race."

Mr Sweitzer estimates that there are between 12 and 16 close-call Senate races across the US: from California to Pennsylvania to Washington State to Louisiana. He is telling all would-be Democrat contributors that their money will be spread throughout those neck-and-neck contests.

But like Mr Gilmore in Wyoming, Mr Sweitzer and the Democratic Party have a problem. They are being heavily outspent by the Republicans, who by the end of 1986 are likely to have raked in at least $200m in the two-year election cycle, more than six times the amount raised by the Democrats.

As one senior Democrat commented last month of the Republican campaign: "They've got 100 factors running in their favour. The first 99 are money, and the other one is Reagan's personality."

The Republicans' national fund-raising muscle reflects the pull of the presidency and the party's ties to corporate wealth, historically closer than those of the Democrats. They also have the advantage of incumbency: the Republicans are defending 22 out of the 34 Senate seats, and the lobby groups, most of which are represented in one form or another by Political Action Committees (PACs), are invariably keener to place their bets with an incumbent than with a challenger unless he or she is a dead certainty.

US mid-term election

This year the PACs *have* been more active than ever. From January 1 1985 until September 30 1986, Senate candidates received a total of $34m from the PACs. This was 62 per cent more than they picked up in the corresponding period before *the* Senate races in *the 1984* presidential election, according to a study by Common Cause, the independent watchdog on PAC fund-raising and dispensing.

There are more than 4,000 PACs registered with the Federal Election Commission (FEC) for this year's campaign. They range from the lesser-known Red Lobster Restaurant PAC to the better established National Rifle Association. The National Association of Realtors, the real estate lobby, topped the Common Cause list with $4.45m in receipts between 1983 and 1986.

Mr Fred Wertheimer, president of Common Cause, voicing fears that American politicians are being bought up by the dozen, says: "It is the PACs that are going to control the Senate in 1987."

Senator Alan Cranston, the septuagenarian Democrat struggling to fend off the Republican challenge of Mr Ed Zschau in California, tops the list with $1.16m in PAC receipts, around one eighth of his total campaign fund.

Other senators receiving close to $1m from PACs include Mr Steve Symms of Idaho, Mr Robert Packwood of Oregon, Mr Arlen Specter of Pennsylvania, Mr James Broyhill of North Carolina and Mr Henson Moore of Louisiana. All are Republicans in tight races, except Senator Packwood, but he is chairman of the Senate Finance Committee.

Keeping track of the PACs is a full-time job for the 230 staff at the FEC, which was set up in 1974 in the wake of the Watergate scandal. Watergate exposed dubious fund-raising techniques as well as President Richard Nixon's cover-up of the break-in at the Democratic Party headquarters.

Earlier this month, for example, FEC staff were handed the equivalent of a short novel on Republican fund-raising efforts for the last three months: a 53,000 word quarterly report by the National Republican Senatorial Committee on who had contributed how much to candidates.

The report's contents have to be checked against individual returns by the candidates, the PACs and candidates' own campaign committees. It is a bewildering jumble of names and numbers.

At first sight, the amended 1974 federal law on contributions looks straightforward. No individual may make a contribution of more than $1,000 to an individual candidate, *and no particular group may contribute* more than $5,000 per candidate per election.

But when the Supreme Court's Buckley-Valeo ruling in 1974 effectively scrapped individual spending limits, loopholes began to appear. *Parties and* PACs have been skirting the law ever since.

Groups such as Common Cause and politicians are worried by the trend. The Senate, towards the end of the 99th Congress, passed legislation strongly in favour of restrictions on PAC donations and forcing greater disclosure of indirect corporate and union gifts to the political parties.

But the legislation became snarled up in party bickering, with both Republicans and Democrats claiming it discriminated against their fund-raising efforts. In the last resort, the weight of self-interest is so strong that those in favour of reform face as big a challenge as Mr Gilmore in Wyoming.

THE LEX COLUMN

Last waltz on the floor

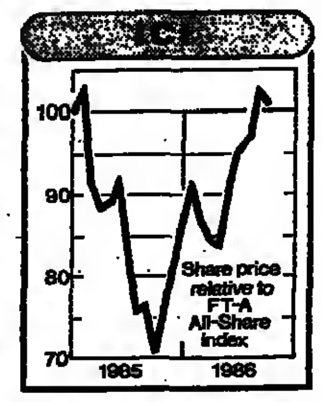
The stock exchange floor has already become a more spacious and less bustling place. Those who talked about reviewing the role of floor trading after a year or so are *having to think seriously before the* end of the first week. The ceremony of walking up to a market maker to ask for a price loses all meaning when the response is a request to telephone the dealing room upstairs. Though abrupt, Warburg's decision to remove *all* but a few traces of its equity trading from the floor is not entirely unexpected: customers can perfectly well use the telephone, and the lack of firm prices on the floor has removed much of the commerical pressure that would make agency brokers trade there.

Paradoxically, this development owes something to the imperfections of the screen-based trading system. In gild-edged, the outer ring of the market has had little price information from Seaq so far, and the proposed arrangements for filling the screen at a trickle can scarcely do better than convert Topic into an interesting source of historical prices. As the market withdraws, *it may* become a pressing question how best to use the vacant space: the Hexagon Restaurant, perhaps?

ICI

ICI shares have performed so well in recent months that they may find it hard to keep on pushing ahead of the market, even on such impressive news as yesterday's £256m profit for the third quarter. Though it would be asking too much for ICI to match its peak 1984 result, there seems no reason why it should not be able to clear £1bn for the full year. And the changed composition of profit for the two years suggests that the quality really has been improving. In 1984, oil profits were a good deal higher than they will be this time, and fertilisers were contributing over 10 per cent of profits: fertilisers have swung into loss, and will be lucky to break even for the year.

Otherwise the mixture is looking much more attractive than it did. Though an adverse dollar rate has restricted the pharmaceutical contribution, underlying growth is still impressive. And some of the old *lags in the remedial class – colours,* polyurethanes – have made surprisingly good progress. With the running off of stock losses, European petrochemicals and plastics margins have held up well, and D-mark strength has reinforced the effect. London experts are starting to look for £1.3bn for 1987, which means the prospective multiple is being talked down to single figures. US investors may on that basis begin to bite again – though in the first week of the new London market, London is where the bulk of the turnover has been, and UK institutions are scarcely underweight.



Harris Queensway

The only justification for splashing paper around as liberally as *Harris Queensway has done is prof*its growth at such a rate that earnings per share can still move comfortably ahead. Harris looks to be failing that test in its current year, after a decidedly pedestrian performance in its first half, even above the line. Pre-tax profits, excluding property gains, were only 9.3 per cent ahead to £14.2m despite new stores and some acquisition benefits. Worse is to come in the second half when the £72m rights issue and the £146m purchase for shares of Great Universal Stores' high street shops take effect. It will need a strong fourth quarter's trading plus the new chains' contributions and some interest saving for earnings per share to increase much this year even with the help of a lower tax charge.

The methods of carpet and furniture retailers, Harris now realises, are so out of date that the consumer spending boom has passed them by as shoppers prefer more exciting stores. *That has to be put right with* a complete change of image for Queensway and considerable refurbishing elsewhere. Electrical retailing is still a new game for Harris, and it needs to prove that it can compete with Comet, let alone Dixons. Meanwhile, it is toying with yet another sector through the Hamleys purchase when it would appear to have quite enough to worry about elsewhere.

No wonder the market has become thoroughly disenchanted with Harris' shares. Top forecasts of £50m pre-tax (against £38.9m in the previous 13 months) give a multiple of 12 on the shares at 195p, down 6p yesterday. That rating might look cheap compared with the sector but will not recover until *Harris* demonstrates that it knows where it is going.

Redland

Redland brought its interim figures forward to yesterday to help its £180m rights issue on its way. But the 10 per cent increase in pretax profits (to £55.6m) was a solid effort typical of Redland, rather than any recipe for share price outperformance. The shares gained 12p to 393p, well clear of the rights issue price at 350p, on one small surprise: a falling tax charge will ameliorate the earnings dilution next year from the rights shares issued to finance the Genstar acquisition.

As the largest materials company with quality exposure overseas, Redland is bound to suffer when market attention is on a surprisingly good season for UK construction. But though volumes are *ahead* in all Redland's main UK businesses including roof tiles, the profit improvement was a modest 9 per cent. Equally, the Genstar acquisition will next year dilute the recovery potential in West Germany. Housing permits in Germany are now promising somewhat improved deliveries next spring, which could see sterling profits, inflated on translation, on the long climb back towards the level of 1984–85.

The revaluation of Genstar has all but removed the purchase goodwill, and Redland now has a very strong US aggregates business in three important and growing regions. But the short-term earnings potential, of 10 per cent this year and next, *is not exciting.*

Ferruzzi to raise $408m by Agricola rights issue

BY ALAN FRIEDMAN IN MILAN

FERRUZZI, the giant Italian food and agricultural business which is competing with Britain's Tate and Lyle to obtain control of the British Sugar Corporation, yesterday unveiled plans to raise $408m by means of a rights issues for its Agricola quoted subsidiary.

The Agricola share issue, which Ferruzzi's bankers last night said was partly designed to have cash in hand should the UK Monopolies and Mergers Commission give the go ahead for a full-scale takeover bid, would bring to $1.3bo the total amount of funds raised in the past 12 months by the Ravenna-based group.

Mr Paul Channon, Britain's Trade and Industry Minister, has told the Monopolies Commission that be would like the report on the British Sugar issue – neither Ferruzzi nor Tate and Lyle has yet made a formal bid – by November 18.

The Italian company's new cash call, which requires the approval of Agricola shareholders at a meeting set for December 16, would raise L569bn ($408m) by way of a rights issue of both ordinary and savings shares. Some L477.5bn would come from a one-for-one issue of 298.5m shares priced a L1,600 each. At that price the shares are being offered at a discount of roughly 51 per cent against yesterday'a Milan bourse Agricola price (the discount is calculated after taking into account a related L21.7bn Agricola scrip issue).

The balance of the cash raised would come from the issue of savings shares.

Aside from having cash ready to acquire S. and W. Berisford, the UK group which controls British Sugar (and in which Ferruzzi already has a 23.4 per cent equity stake), the Agricola proceeds will also be used to pay for part of the recent purchase of a 22 per cent cootrolling shareholding in Italy's Montedison chemicals, health care and energy group.

The Montedison share stake, which gives Mr Raul Gardini, Ferruzzi chief, effective control, is beld by various Ferruzzi subsidiaries. *These are Agricola (1.5 per cent of* Montedison), the Silos grain business (12.5 per cent), France'a Beghin-Say sugar group (4 per cent) and the Calcestruzzi cement subsidiary (4 per cent).

The Gardini family, which owns 51 per cent of Agricola shares, will subscribe for the proportionate amount of ordinary shares in the rights issue.

Argentina warns of tension over Britain's new Falklands zone

BY TIM COONE IN BUENOS AIRES

ARGENTINA has warned Britain that its decision to establish a 150-mile "temporary conservation and management zone" around the Falkland Islands will be the cause of serious conflicts which may also affect third countries.

President Raul Alfonsin, his Cabinet and the beads of the armed forces beld an emergency meeting on Wednesday night after the British move and issued a statement calling the establishment of the zone "politically and juridically unacceptable."

It would be "the cause of serious tensions and conflicts with unforseeable consequences which may also affect the interests of third countries," the statement said.

Argentina recently signed fisheries agreements with the Soviet Union and Bulgaria on the levels of catches *in* the *south-west* Atlantic, and these were cited by Sir Geoffrey Howe, UK Foreign Secretary, as one of the factors precipitating the UK move.

Government and opposition parties in the Argentine Congress, in an emergency debate, also unanimously condemned the measure as "an ostensible act of aggression against Argentina."

Mr Dante Caputo, Foreign Minister, said a British sovereignty claim over the maritime resources above and below the continental shelf around the islands was "a fundamental change" in the UK's position which, he said, "affirms the British decision not to come to a peaceful solution."

In an emotional outburst during the debate Mr Frederico Stroani, a member of the ruling Radical Party, said: "We are going to sink as many trawlers as necessary in exercising our sovereign rights."

Mr Horacio Juanarena, Minister of Defence, said in an interview: "Frankly it would be absurd to think that Argentina's response will be bellicose." None the less all military leave has been cancelled, and the demobilisation of military service conscripts suspended.

However, most reaction in the Congress and in the press has been more measured emphasising diplomatic efforts in international forums and through bilateral contacts to rally support for Argentina's sovereignty claim.

One respected daily newspaper quoted Foreign Ministry sources as saying "the mouse has fallen in the trap," and said nations that had previously remained neutral on the sovereignty dispute would now gravitate towards Argentina's claim.

Mr Juanarena said that the UK move was ambiguous on whether British fisheries protection measures would be imposed immediately and that the state of alert might be increased.

No new instructions to Argentina's coastguard on patrolling Argentina's own 200-mile exclusive economic zone had been issued as yet. In the overlap area with Britain's 150-mile protection zone Argentine patrols would extend only to the edge of the zone. This did not alter Argentina's claim to its sovereign rights but was intended to avoid any incidents with Britain which could aggravate the situation.

However, the situation was being studied and "it may be necessary to vary those instructions or to issue new ones." The Government had made "important reductions" in defence spending over the past three years. *Mr* Juanarena said he could not say at the moment if military expenditure would now be increased.

Fiat close to deal on car assembly in Algeria

BY JOHN WYLES IN ROME

THE FIAT group is close to agreement on a joint venture project for the assembly of 30,000 small and medium-sized cars in Algeria.

Fiat yesterday confirmed reports that the negotiations with the Algerian Government on the project were "well advanced." They were apparently given a political "push" last week by the visit to Algiers of Mr Bettino Craxi, Italian Prime Minister, and Mr Rino Formica, his Foreign Trade Minister.

The reported value of the deal, which Fiat would not confirm, is $150m. It would involve the Italian company taking a minority stake in a joint venture and supplying kits, probably of the Uno Panda and Regata cars, for final assembly of around 30,000 vehicles a year.

Two sticking points in the negotiations apparently still remain. One is over providing Fiat with satisfactory guarantees for its capital stake in the joint venture, and the other is over the form of payment for the car kits. Algeria wants to pay through gas supplies which could involve Fiat and the Italian Government in complicated purchasing arrangements.

Final agreement would be seen as a major strengthening of Italian-Algerian relations and, therefore, an important achievement in Italy's attempt to deepen its political influence around the Mediterranean.

If a Fiat plant in Algeria becomes a definite possibility, negotiations are expected to pick up, looking to the establishment of a Pirelli tyre production facility. This has been under discussion for 15 years without becoming a firm prospect.

Reports also suggest that Algeria is said to be seeking more trade credits from Italy and a greater provision of "mixed" credits.

● Imprefeal, a Fiat subsidiary, yesterday announced that it had won a L7bn ($5m) contract to build a factory on the US naval base at Naples-Capodichino.

UK details curbs on S. Africa

BY MICHAEL HOLMAN, AFRICA EDITOR, IN LONDON

EVIDENCE of declining British confidence in South Africa emerged yesterday as the Government announcement details of its voluntary bans on investment in, and tourist promotion to, the republic.

Figures released by the Department of Trade and Industry (DTI) showed that UK company disinvestment between 1982 and 1984 had totalled £147m ($210m). Although the DTI makes no comment on the figures, the latest available, they reflect the concern over political unrest in South Africa and the depressed economic conditions there.

Britain is *the largest* investor in South Africa, and investments worth an estimated £6.6bn represent over a third of total foreign investment in the country.

The DTI figures show a sharp rise in disinvestment by British companies from £25.3m in 1982 to £65.8m in 1983 and £56.2m in 1984, the latest for which statistics are available.

They bear out the view that the voluntary ban on investment will have little impact, as many members of the business community have already decided to reduce their exposure in South Africa.

The two bans were agreed by Commonwealth heads of government in London last August and subsequently backed by the European Community foreign ministers in September.

Mr Paul Channon, UK Trade and Industry Secretary, gave details of the voluntary ban in the House of Commons yesterday. It includes new acquisitions of share and loan capital of South African companies and loans and capital injections through intercompany and branch or head office accounts.

It excludes financial support of normal trading, as well as investment in health or educational sectors in South Africa.

"Given the extent of existing UK investment in South Africa," said Mr Channon, "wholehearted co-operation by British companies with the voluntary ban of new investment should have considerable impact."

The Government was prepared to review, and "if appropriate, to rescind" the measure if South Africa took steps to "establish a process of dialogue across racial lines," Mr Channon said.

In a separate parliamentary answer, Mr David Trippier, tourism minister, appealed to travel agents, tour operators and carriers "not to promote South Africa as a tourist destination." Mr Trippier also asked the media not to carry advertisements for South African tourism.

GM strike, Page 5

BBC accused of bias

Continued from Page 1

The document alleges that, while "News at Ten" was able to preserve an impartial editorial stance, the BBC had taken a *number of* editorial and journalistic decisions. The effect of which was to enlist the sympathy of the audience for the Libyans and to antagonise them towards the Americans.

Whereas ITN, the document claims, stuck firmly to journalistic pacts, the BBC had adopted "alarmist hyperbole" throughout.

The BBC is repeatedly accused of unbalanced editorialising in the presentation of news and of not providing facts but of preying on people's emotions and fears.

There were moves yesterday in the House of Commons to get a debate on the affair, but Mr John Biffen, the leader of the House, confined himself to a commitment for an early debate on the Peacock report on broadcasting.

Saudi pledge on prices

Continued from Page 1

One senior oil company executive with close links to Opec said he believed that the change heralded a period of closer links between Saudi Arabia and militant Iran with less emphasis on the Kingdom's cooperation with conservative Kuwait.

Another oil executive who keeps in close touch with the Gulf states said the Saudi rulers appeared now to be in some disarray. The sacking of Sheikh Yamani reflected disillusionment with the last year's policy of "teaching other Opec members a lesson, by cutting prices and raising production." However, he believed that King Fahd of Saudi Arabia had not yet fully understood the difficulty of raising prices without a substantial cut in Opec production.

Mr Mehdi Varzi, chief oil analyst for Kleinwort Grieveson, said: "I do not think Saudi Arabia is preparing to go back to its role as swing producer for Opec." But he believed that in future the Kingdom would be more flexible in relation to the demands of poorer Opec countries for increased production quotas.

In the last year there have been persistent rumours in the oil world that Sheikh Yamani's position might be under threat as a result of vigorous debates on oil policy within the Saudi Arabian hierarchy.

However, the suddenness of his dismissal just before a crucial stage in Opec's protracted negotiations surprised many people in the industry. An executive in one of the largest oil companies commented that the Saudis had lost a highly experienced and able negotiator.

Mr David Gray, analyst for the London broker James Capel, said he suspected that the sacking might have little to do with oil price policy and was more a reflection of the internal political tensions in the Kingdom.

World Weather

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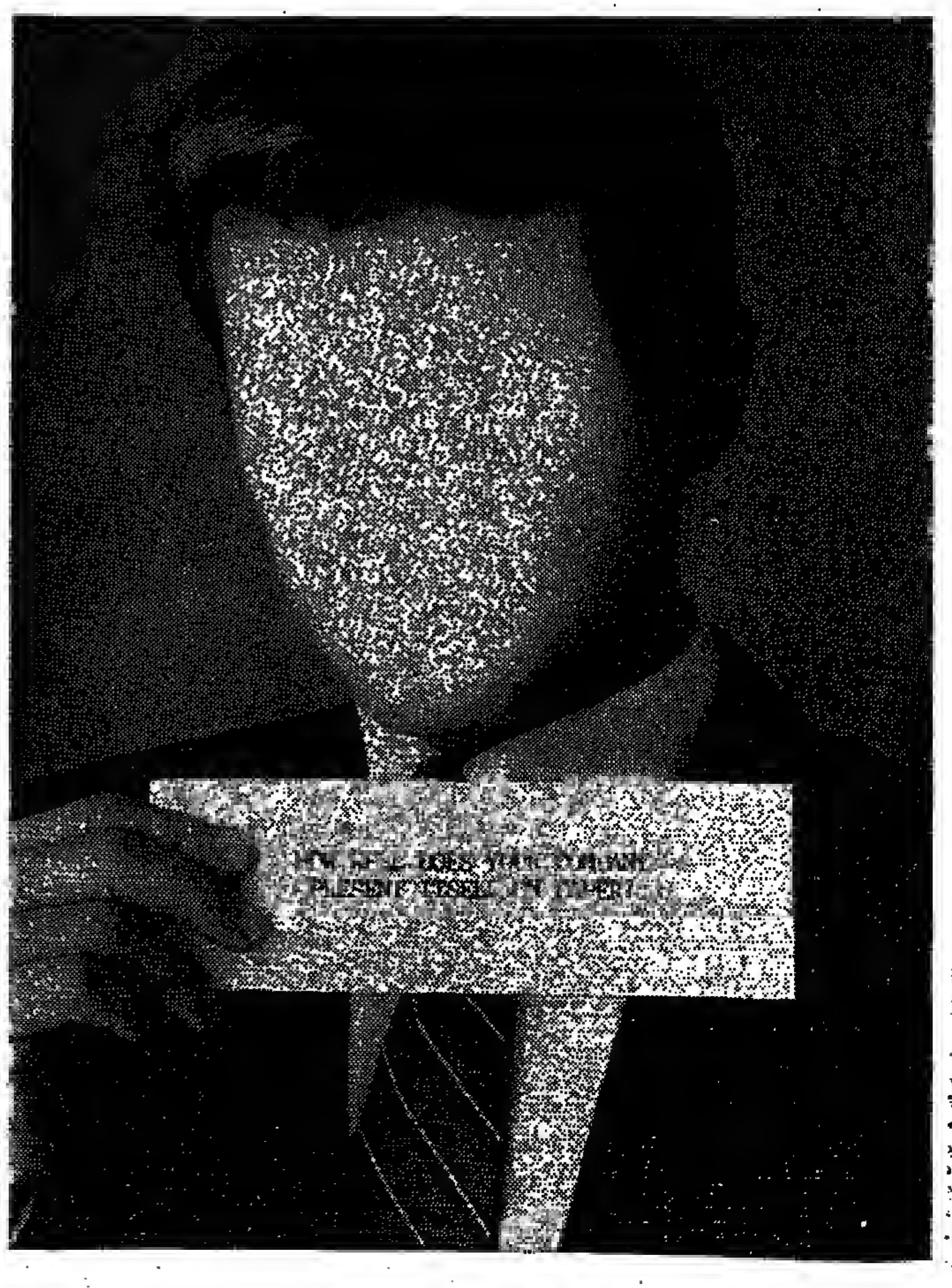
Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder



SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday October 31 1986

Jacobs may move on Borg Warner

By David Blackwell in New York

MR Irwin Jacobs, the corporate raider from Minneapolis, is considering seeking control of Borg-Warner, the diversified manufacturing and services company in which he has acquired a 8.1 per cent stake.

Mr Jacobs in a filing with the Securities and Exchange Commission disclosed that he and Minstar, his corporate vehicle, held the 8.1 per cent stake and said he considered the Borg-Warner holding to be "an investment." But he added that he intended to monitor closely developments at the company and might "under certain circumstances consider seeking control."

For the past week Borg-Warner's stock has been the subject of much speculation on Wall Street that it might be a target for corporate raiders. In early trading on the New York Stock Exchange yesterday the stock fell $¾ to $38¾ on moderate volume.

In the SEC filing Mr Jacobs said he and Minstar had bought their stock between July 21 and October 28 at prices ranging from $29.14 to $37.99.

In July Borg-Warner's stock rose by more than 45 per cent amid rumours that GAF, the roofing and chemicals group headed by Mr Samuel Heyman, was interested in buying the group for its special chemicals division.

Minstar yesterday reported a strong third-quarter result, with net profits from continuing operations of $27.5m or $1.54 a share on revenues of $250.3m, compared with $1.7m or 7 cents on revenues of $254m last time.

Meanwhile Mr Ronald Perelman, the New York investor who took control of cosmetics group Revlon last year, said he plans to seek control of Transworld, the hotel and restaurants group in which he declared a 15 per cent stake last week.

Doubled Fermenta sales boosted by acquisitions

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

FERMENTA, the Swedish antibiotics and animal health group, increased its profits (after financial items) by 40.6 per cent in the first eight months of the year to SKr 353m ($51m) from SKr 251m a year earlier.

Profits were buoyed up by exchange gains on dollar loans of SKr 82m, however.

Profits (before tax and allocations) rose to SKr 440m, an increase of 38 per cent from SKr 325m a year earlier. This was helped by extraordinary gains of SKr 98m – chiefly from the sale of Fermenta's stake in Amgen, the US genetic engineering company – compared with extraordinary gains of SKr 74m a year earlier.

Group turnover more than doubled to SKr 2,234bn from SKr 1,077bn in the first eight months of 1985. Some SKr 1.42bn was derived from companies acquired during the last 12 months, most importantly the SDS-Biotech agrochemicals and animal health business.

Fermenta forecasts that sales for the full year will exceed SKr 3bn and that profits (after financial items and before minorities) will total some SKr 700m. In addition it expects to achieve extraordinary capital gains of more than SKr 800m, chiefly from the planned sale of the bulk of its US agrochemicals operations.

The group said its sales and profits had been hit by the falling dollar, but the impact on profits had been compensated for by the exchange gains on dollar loans.

Mr Refaat El-Sayed, Fermenta's controversial group chief executive, said that the sale of Fermenta's main agrochemicals activities – with sales of some $135m and profits of $20m – to Monsanto, the US chemicals group, should be completed by the end of November.

A letter of intent was signed in early October and proved one of the triggers for the collapse of the planned takeover of Mr El-Sayed's majority holding in Fermenta by Montedison, the Italian chemicals group.

It is understood that the disposal to Monsanto could raise around $200m.

The sale, and the disposal of other agrochemicals operations, will reduce Fermenta group turnover by around $200m (SKr 1.38bn), or some 40 per cent.

If the sale goes through, Fermenta will be left with turnover of some SKr 1.67bn in bulk antibiotics and some $70m (SKr 480m) in animal health products.

Fermenta is planning the eventual merger of its existing animal health operations with TechAmerica, the small animal health group in which it acquired a 51 per cent stake for $17.4m earlier this year.

Fermenta said yesterday that the market for veterinary products is very fragmented and that it plans to expand in the sector chiefly through acquisition.

Fermenta is to be reorganised into independent business areas with separate profit responsibility

Sweetened offer for Lucky is withdrawn

By Our New York Staff

MR Asher B. Edelman, the New York investor, has withdrawn his sweetened $37 a share bid for Lucky Stores, the diversified California-based retailer, after its rejection by the company.

The offer valued the group at about $1.88bn.

Earlier this week, the company reportedly told Mr Edelman that it would increase to 40 per cent from 22 per cent the amount of stock it plans to buy back at $40 per share as part of its attempt to deter him.

In addition to the buyback, Lucky Stores had fought Mr Edelman's offer by selling its Gemco discount department store division and trying to sell or spin off its specialty stores operation.

The company's stock resumed trading yesterday morning at $34¼, unchanged from the previous day's close.

Mr Edelman did not comment on whether he might take further steps to acquire Lucky Stores in future. Some observers have suggested that the investor may try again once the company's size has been reduced.

Meanwhile, the Securities and Exchange Commission has decided to take the position that last week's $1.73bn openmarket purchase by Campeau, the Toronto-based real estate company, of 48 per cent of Allied Stores constituted an illegal tender offer.

The agency plans to set forth its legal objections to the purchase in a "friend-of-the-court" brief in New York today. The filing will be made a few hours before Allied's request is due to be considered for an injunction that would force Campeau to rescind its purchase of the 25.8m Allied shares.

Peoples Jewellers makes another bid to win Zale's hand

BY DAVID OWEN IN NEW YORK

PEOPLES JEWELLERS, the Canadian jewellery group, for a third time increased its bid for Zale, the world's largest fine jewellery retailer, proposing jointly to acquire all outstanding shares of the company with Zurich-based Swarovski International, the diversified industrial holding company.

Under the proposed *deal*, *Zale* common shareholders would receive $50 cash per share, with $40 being paid per preferred share. Peoples Jewellers already owns 1.8m or 14.4 per cent of Zale's common shares, with Swarovski holding a comparatively minor 41,200-share stake. The bid values the entire company at about $642m.

Previous bids were rebuffed by the Zale and Lipshy families who control close to one-third of Zale. A contract was signed by family members and company executives agreeing to block any merger with Peoples Jewellers until 1990 unless holders of 80 per cent of stock vote to approve the transaction.

Peoples Jewellers, Canada's second largest jeweller, with annual sales about one-sixth those of its quarry, made its initial offer of $40 per share in February. It has held a stake in Zale since 1981.

The inclusion of Swarovski may ease worries about Peoples' ability to raise financing to back its offer. Certainly, Zale's shares rose sharply in morning trading on the New York Stock Exchange yesterday, climbing $11½ from Wednesday's close to $44½ per share.

Zale, which reported net earnings of $26.1m (including gains of $31.1m from the sale of business units) for the quarter to September 30, has recently undertaken a major restructuring, selling four international and non-jewellery units which last year contributed around 18 per cent of company sales.

Higher income for Gulf Canada

By Bernard Simon in Toronto

GULF CANADA, the new industrial and resources arm of Canadian property developers Olympia & York, lifted earnings to C$264m (US$191m), equal to C$1.29 per share, in the first nine months of 1986, from C$245m, or C$1.08 per share, a year earlier.

The latest results include income of C$228m from discontinued operations, notably the company's downstream petroleum operations, which were sold earlier this year. Income from present businesses tumbled from C$249m to C$108, due largely to a C$66m fall in oil and gas earnings, a C$52m write-off on a drilling ship, higher interest charges and a drop in short-term investment revenues.

Total nine-month revenues rose from C$1.8bn to C$3.1bn, reflecting the inclusion of Abitibi-Price, Gulf's forest products subsidiary, for less than a month of the 1985 period. Abitibi's contribution to profits rose from C$7bn to C$42m.

Gulf has been transformed since O&Y, controlled by Toronto's Reichmann family, bought control from the US energy group Chevron in August 1985. O&Y has made Gulf, in which it now has an 80 per cent interest, the main vehicle for its non-property businesses, including Abitibi-Price.

Earlier this month, Gulf merged with Hiram Walker Resources, the energy and liquor company which it acquired after a fierce takeover battle earlier this year.

Gulf has agreed to relinquish control of Hiram's liquor business to the British food and beverage group Allied-Lyons, but will retain a 49 per cent shareholding. The transaction is likely to be completed before the end of the year. Gulf also expects to finalise the sale of Hiram's oil subsidiary Home Oil to Interprovincial Pipeline within the next few months.

Steinberg insurance group blames fall on lower investment gains

BY OUR NEW YORK STAFF

RELIANCE Group Holdings, the US insurer 77 per cent held by Mr Saul Steinberg and his associates, blamed a sharp downturn in third-quarter net profits mainly on a decline in gains on sales of investments.

Earnings fell to $2.8m from $50.4m, although revenues advanced strongly to $783.3m from $681.1m. At the per share level the group made a loss of 8 cents in the quarter after preferred dividends, compared with a profit of 71 cents last time.

At the nine-month stage Reliance earned $56.7m or 55 cents a share on revenues well ahead at $2.34bn. This compares with earnings of $61.6m or 64 cents a share on revenues of $1.86bn last time.

The latest nine-month figures reflect gains on sales of investments of $222.3m, compared with $141m last time, and a $80.9m gain on the sale of Pilot Insurance, formerly the group's Canadian property and casualty subsidiary.

The growth in revenues for both periods was attributed to price increases in the property and casualty insurance operations and continuing expansion of the life insurance side.

Mr Steinberg, the chairman and chief executive, said the property and casualty insurance industry was recovering from the most protracted down cycle it had ever experienced. Reliance was in a strong position to improve operating results in the future, he said.

Late last month the group made an initial public offering of 15m common shares at $10 a share.

General Re remains on road to recovery

BY OUR NEW YORK STAFF

GENERAL RE, the largest US reinsurance group, has continued on the road to recovery with a 13 per cent increase in net operating income for the third quarter, coupled with a strong revenue gain.

Net operating income rose to $49.4m, or 48 cents a share, from $43.7m, or 45 cents. Revenues were $765.5m against $551.8m.

The latest figure would have reached $86.1m if the group had not raised the net benefit reserves of its life operations by $60m, concluding the restructuring of its life reinsurance operations started earlier this year.

At the net level, after investment gains of $7.3m and a $12.3m tax credit, the group earned $69m

General Re said it had lifted its worldwide net written premiums for the quarter by 22.9 per cent. Premiums from the traditional property/casual business were ahead by 29.3 per cent.

For the nine months net earnings from operations were $178.4m, or $1.75 a share, on revenues of $2.25bn against $103.6m, or $1.12, on revenues of $1.5bn. After special items the final net was $211.4m against $79.2m.

All the per-share figures have been adjusted to reflect a two-for-one split on June 6.

Fiat in leasing reshape

By Our Milan Correspondent

ITALY'S Fiat group is reorganising its various financial and leasing companies to create a new and strengthened financial services company which will have total annual volume of L6,600bn ($4.7bn).

The restructuring is to be accomplished as a result of the acquisition by the Fidis financial subsidiary of 60 per cent of Fiatsava, the main vehicle finance company. Fidis is paying L95bn for the 60 per cent of Fiatsava in what is essentially an in-house deal for the Fiat group.

Fiatsava will now become the flagship of a group of companies which include the Savaleasing car and earthmoving equipment leasing business, the Savafincar used car and industrial vehicle financing subsidiary, the Savfinbus bus and industrial vehicle finance company and Savafactoring, the factoring business which works with Fiat group suppliers.

Data General loss after legal payment

By Our New York staff

DATA GENERAL, the Massachusetts-based company which specialises in super-minicomputers for manufacturing, office and scientific customers, reported an overall net loss of $26.3m or 96 cents a share for the fourth quarter. This compared with a small year-earlier profit of $500,000 (2 cents per share).

The fourth-quarter figure included a $30.9m extraordinary loss as a result of the settlement of anti-trust litigation between Data General and Fairchild Semiconductor.

Operating income rose to $12.6m on revenues of $330.1m from $2.4m on revenues of $299.5m in the fourth quarter 1985.

The results brought Data General's net loss for fiscal 1986 to $29.0m ($1.07 per share), compared with net earnings of $24.3m (92 cents per share) in fiscal 1985. The latest figure includes extraordinary losses of $34.7m from the litigation settlement and an after-tax charge from the early redemption of debentures.

Operating income for the year fell 43 per cent to $20.7m from $36.1m in fiscal 1985. This was on total revenues of $1.27bn, little changed from the $1.24bn year-earlier figure.

Alfa Romeo reduces first-half losses 24%

BY ALAN FRIEDMAN IN MILAN

ALFA ROMEO, the Italian state-owned car maker which is currently the object of two rival bids from Ford of the US and Italy's Fiat group, reduced its losses in the first six months of this year by 24 per cent, to L70bn ($51m). This year-on-year reduced deficit for the first half compares with a 1985 full year loss of L245bn, more than treble the previous year's level.

Alfa said it had sold 105,000 cars in the first six months of 1986, a 28 per cent increase year-on-year. The Milan-based company was last year able to use only 36.7 per cent of its productive capacity of 430,000 cars a year.

Alfa's total inventories have been high in recent months, with many cars sitting unsold in warehouses. At the end of June, the company said it had 53,000 unsold cars against 70,000 the previous June.

The company did not disclose sales figures for the first six months. It is understood, however, that despite the reduced losses in the first six months of this year, prospects for the closing months are much gloomier.

Battle Mountain Gold reports earnings rise

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

BATTLE MOUNTAIN Gold, the US gold producer, reports third-quarter net income of $6.3m or 15 cents a share. This brings the total for the first nine months to $18.2m, or 42 cents per share, compared with $11.4m in the same period of last year.

Mr Douglas Bourne, chairman, said that the latest results reflected higher bullion prices and improved operating efficiency which offset the effects of a rise in costs caused by higher exploration, administrative expense and tax.

He added that the impact of the recent rise in gold prices would be more fully reflected in the current quarter's results.

Battle Mountain hopes to have ready by the end of this year its mine design and ore reserve calculations for the Pajingo gold prospect in Queensland. Initial production at the Australian property is expected by the beginning of 1988.

Kidston Gold Mines, currently Australia's largest gold producer, is declaring a dividend of A$0.10 for the third quarter. This makes a total for the first three quarters of this year of 30 cents.

The company declared a maiden dividend of 5 cents a year ago following the start of full production at its Queensland mine in April, 1985. Earnings for the first half of that year amounted to A$12.6m ($8.4m)

Sharp decline at Dofasco

By Bernard Simon in Toronto

DOFASCO, Canada's second biggest steelmaker, suffered a sharp downturn in third-quarter earnings, with net income dropping to C$33.2m (US$24m) or 49 cents a share, from C$48.5m or 77 cents a share a year earlier.

Sales revenues fell from C$511.7m to C$469.2m, reflecting weaker demand from the North American motor and energy industries. The company, widely regarded as one of the continent's most efficient steel producers, said that its steel shipments fell from 806,300 tons to 794,900 tons.

Dofasco forecast that demand from motor and energy industry customers will remain weak for the rest of the year, and that competition will remain intense

GM unit enters communications

By David Thomas in London

ELECTRONIC Data Systems, the information services subsidiary of General Motors, is moving into the relatively new market of managing other companies' communications requirements.

It believes there is a potential market of $23bn in Europe alone for the third party management of other companies' voice and data requirements.

EDS, which has an annual turnover of $3.4bn but which is a relative newcomer to Europe, has set up a company, EDS Communications, based in London to offer this service. It will have management centres on the European continent, in the Middle East, South Africa and the Far East.

Erbamont higher by 12%

By Our Milan Correspondent

ERBAMONT, the pharmaceuticals subsidiary of Italy's Montedison group which is listed on Wall Street, said yesterday that it achieved a 12 per cent increase in net profits for the first nine months of this year, to L70.9bn ($50.8m).

The improved profit performance was struck, however on total consolidated sales which were 7 per cent lower than the same period last year, at L883.9bn.

Sales were down because of the currency losses in converting US dollar revenues back into Italian lire and also because of reduced turnover as a result of the disposal last year of a health care equipment maker. Erbamont also had lower sales of artificial sweeteners this year.

Erbamont is Montedison's principal health care holding company and owns 75 per cent of Farmitalia Carlo Erba, the Italian operating subsidiary. For the whole of last year Erbamont made a net profit of L241.6bn on consolidated turnover of L1,268bn.

Intel plans further cuts in workforce

By Louise Kehoe in San Francisco

INTEL the Silicon Valley semiconductor manufacturer, has laid off 100 employees this week and announced plans to reduce its workforce in California by an additional 250 during the fourth quarter.

The move reflects continuing poor conditions in the US semiconductor market. Since February 1985 Intel has laid off over 4,000 people to reduce its workforce to about 19,000 worldwide. The latest announcement brings to 500 the number of Intel jobs expected to be eliminated over the next few months.

Intel said no further corporate-wide lay-offs were anticipated at the moment but *that* action might be taken at divisional level. The company's various divisions were reviewing their costs, a spokesman said.

Intel vice president Larry Hootnick, told industry analysts this week that he had given up trying to predict when the semiconductor market would improve. Although the consensus among industry analysts is that business conditions should improve by the second quarter of 1987, there is so far little solid evidence to support such forecasts.

Turkish state banks plan merger

BY DAVID BARCHARD IN LONDON

Mr Turgut Ozal

WORK on a merger between four major Turkish state banks is expected to start shortly following the signing of an agreement in London yesterday between Morgan Grenfell, the UK merchant bank, and the state-owned Anadolu Bankasi of Istanbul to set up a financial services group.

Apart from Anadolu itself, the banks involved are expected to be the Etibank, the Sumerbank and the Denizcilik Bankasi. All have substantial industrial activities ranging from textiles in the case of Sumerbank, to mining and shipping for the other two.

The merger proposals are the brainchild of the general manager of Anadolu, Mr Bulent Semiler, 32, an American-educated economist who is an adviser to the prime minister, Mr Turgut Ozal.

Mr Semiler was placed in charge of the Anadolu Bankasi in August for what is generally regarded as a rescue operation. He believes that the bank's position is strong enough for it to be used as the instrument for privatising part of the country's banking system, although no more than four of 12 state banks will be involved.

Up to 49 per cent of the joint capital of the merged banking group, expected to be an issue of $200m-300m, will be floated on the newly reopened Istanbul stock exchange.

No timetable for the merger and subsequent privatisation operation has, however, been decided yet. A decree making the purchase of the three other banks by Anadolu legally possible is expected to be published shortly.

Morgan's role appears to be to act as consultants on the technical aspects of the merger and help the new group to establish export credit services.

Any sale of equity will have to wait until the merger has been completed and consolidated balance sheets for the new group are published.

Morgan will set up a subsidiary in Turkey with offices in Istanbul, the first British merchant bank to do so.

However, some Istanbul bankers warn that Mr Semiler faces entrenched political and civil service opposition to his plans. The minister responsible for the Etibank and Sumerbank, Mr Mustafa Tinaz Titiz, is known to be hostile to the merger plan.

The prime minister, Mr Ozal, is anxious for the deal to go ahead fast as his other privatisation plans have run out of steam in the last few months.

New issue for French utility

By Paul Betts in Paris

COMPAGNIE GÉNÉRALE des Eaux, the large diversified private French water distribution group, is raising FFr 956m ($144m) in new equity through a rights issue to help finance an ambitious investment programme totalling FFr 3bn.

Mr Guy Dejouany, chairman, said yesterday that the programme involved about FFr 1bn in new investments in the group's water distribution and treatment businesses, other investments in diversified subsidiaries and new businesses, and the proposed purchase of a 5 per cent stake in Saint Gobain when the large French glass and pipes group is privatised at the end of this year.

The Saint Gobain stake is expected to cost Générale des Eaux between FFr 650m and FFr 700m, Mr Dejouany added. The stake will match the 5 per cent shareholding Saint Gobain has decided to retain in the water company.

Saint Gobain had built up a controversial 20.7 per cent stake in Générale des Eaux three years ago but under an agreement with the water group this summer decided to reduce its stake to around 5 per cent. Mr Dejouany said Saint Gobain currently owned about 6 per cent of the water group.

The new equity operation involves a rights issue of one new share for every 10 held at a price of FFr 850 a share. The company has also announced a one for 10 scrip issue.

The water group, which reported consolidated profits of FFr 803.4m on turnover of FFr 44.2bn, expects consolidated group profits to increase by more than 20 per cent this year over the previous year.

INTL. COMPANIES and FINANCE

Sumitomo Rubber in talks to buy Dunlop US stake

BY CARLA RAPOPORT IN TOKYO

SUMITOMO RUBBER Industries, one of Japan's major tyre companies, is negotiating to acquire a majority stake in Dunlop Tire Corporation of the US.

The move comes two years after its purchase of Dunlop's European plants. If successful, the deal would give Sumitomo an important foothold in the US tyre market.

The company said yesterday that the negotiations should be completed within the next week. It refused to comment on the value of the deal, but industry officials say that Sumitomo may pay as much as $100m for a controlling stake.

Sumitomo holds 10 per cent of the US company, which was the subject of a management-led buyout from Dunlop of the UK in mid-1985.

"We have already finished our expansion in Europe and now we are interested in America," said a senior Sumitomo official yesterday in Kobe. "Now we are interested in the US where the consumption of tyres is so large, about a third of the world market," he said.

He added that Sumitomo is keen to supply tyres to Japanese automakers building or expanding plants in the US, such as Honda, Mazda and Toyota. Sumitomo, as with other major Japanese exporters, has seen its export margins eroded by the appreciation of the Japanese yen over the last year. This move will allow the company to reduce exports in favour of local production.

Dunlop's major shareholders include First Boston and Prudential Insurance of America. The US tyre company has three factories and 2,800 employees.

Brambles Industries to raise A$118m

By Our Financial Staff

BRAMBLES INDUSTRIES, the Australian transport group, yesterday announced plans to raise nearly A$118m (US$75.8m) in order to fund what it described as future expansion within the country and overseas.

It will first arrange an institutional placing of 8m shares at A$7, a level which compares with yesterday's closing market price of A$7.20. These shares will then rank for a one-for-10 rights issue, with the price set at a far more deeply discounted A$5.50.

The rights will not, however, qualify for dividend payments until after the 11 per cent final distribution for its latest year which becomes payable next month. The rights issue will raise some A$75.9m.

Brambles said it expects to maintain the total annual dividend of 18 cents per share on the increased capital.

In the previous year the company expanded in Europe by taking effective control of Groupe CAIB, the Continent's largest rental operation for private railway wagons.

Oki Electric incurs its first loss

BY YOKO SHIBATA IN TOKYO

OKI ELECTRIC, the Japanese maker of communications equipment, yesterday disclosed its first-ever pre-tax loss of Y7.68bn ($47.87m) in the first half to September, against the previous year's pre-tax profits of Y4.21bn.

The company also fell into a net loss of Y.08bn, from profits of Y2.15bn, and it is omitting its dividend. Deteriorating export profitability caused by the yen's surge, and a slow recovery in its capital-intensive semiconductor division, were blamed.

Sales declined 11 per cent to Y158.78bn. Exports plunged 31.5 per cent, hit in addition by falling demand for printers for personal computers.

For the full year, a pre-tax loss of Y7.5bn is forecast against profits of Y1.39bn. It intends to pay a dividend by dipping into reserves. The company paid a Y6 total the previous year.

● TDK, the world's largest maker of magnetic tapes, suffered a 48.5 per cent fall in consolidated net profits to Y12.14bn in the first nine months to August, on turnover which at Y278.5bn was 11.2 per cent lower.

Volume sales of video tapes grew satisfactorily, but with a high percentage of sales being made overseas, their yen value was eroded.

Weak currency helps lift outcome at Rand Mines

BY JIM JONES IN JOHANNESBURG

RAND MINES, the mining arm of South Africa's Barlow Rand group, benefited from the South African currency's persistent weakness in the year to September. Higher-than-expected rand-denominated gold and coal prices were the main contributors to turnover and profit advances.

Turnover rose to R787m ($345.9m) from R561m and pre-tax profits increased to R281.9m from R231m. Earnings were R11.97 a share against the previous year's R9.89 and the total dividend has been lifted to R4.25 from R3.50.

Group major expansion projects are centred on gold and coal. However, a recent agreement with Vansa Vanadium has given Rand Mines vanadium and platinum exploration and development rights.

Coal exports appear to be threatened by the US ban on imports from South Africa and employees of the group's Douglas Colliery have been offered jobs at the Khutala Colliery.

Barlow Rand owns 74.6 per cent of Rand Mines' equity.

AGC maintains earnings despite difficult conditions

BY OUR FINANCIAL STAFF

AUSTRALIAN GUARANTEE Corporation, the finance company offshoot of Westpac Banking, yesterday revealed net earnings for its year to September barely ahead at A$107.31m (US$69m), compared with A$106.56m, but said an improvement was likely in 1986-87 despite difficult economic conditions.

Profits were struck before extraordinary losses of A$21.2m against credits of A$2.15m, leaving the attributable result 20.8 per cent lower than the year before.

AGC Insurances and international operations, particularly in New Zealand and Hong Kong, earned higher profits, but were offset by a smaller contribution from property development.

AGC Insurances had a slightly larger underwriting deficit, and a 21 per cent rise in investment income helped results.

A sharp rise in bad and doubtful debts charge against profit, to A$72.9m from A$32.8m also hit earnings.

Bad debts were widely spread through all sectors of the economy and applied to all types of loans, the company said. AGC is 76.8 per cent owned by Westpac.

Setback for All Nippon

By Our Tokyo Staff

ALL NIPPON AIRWAYS, Japan's second passenger carrier, has disclosed pre-tax profits of Y5.38bn ($33.53m) in its first half to September, down 14.8 per cent. The setback was attributed to expenses incurred in starting scheduled international flights, as well as to lower interest and dividend income.

Net profits were 26 per cent higher, however, at Y2.48bn, on turnover of V247.82bn, increased marginally by 0.6 per cent from e year before.

Full-year pre-tax profits are expected to reach a record Y11bn, up 16 per cent, with net profits nearly trebled to Y5.5bn.

New World doubles profit

By Our Financial Staff

NEW WORLD Development, the Hong Kong property company, more than doubled net profits in the year to June, reaching HK$614.14m (US$78.74m) compared with HK$287.04m.

It is to make a two-for-10 warrant issue to shareholders, carrying differing maturities, but each exercisable at HK$9 from next February.

The total dividend for the year is also being lifted to 31 cents from 20.8 cents, paid from earnings per share of 57 cents against 29 cents. The comparative figures have been adjusted for a one-for-five scrip issue made last December.

Profits boost at Amrel

BY OUR JOHANNESBURG CORRESPONDENT

AMALGAMATED RETAIL (Amrel), the furniture and footwear retailing arm of South African Breweries, has benefited strongly from recent increases in spending on consumer durables and expects the improvement to be maintained.

Turnover rose to R293.5m ($129m) in the six months to September from R232.1m and an interim pre-tax profit of R5.97m was earned against the previous year's interim loss of R5.89m.

Mr Ronnie Cohen, the chairman, says that sales by the furniture industry have risen strongly, though this has been from a low base. He adds that there has been a marked swing towards credit eales

Upper- and middle-income consumers have not fallen appreciably behind in debt servicing, but Amrel has increased its provisions against hire purchase accounts of low-income group customers who have been worst affected by unemployment.

Mr Cohen says that the apparel division grew moderately and that the shoe division has been sluggish. First-half earnings were 34 cents a share and an interim dividend of 11 cents has been declared.

SEC steps up war on insiders

BY HUGO DIXON

MR GARY LYNCH, the US Securities and Exchange Commission's director of enforcement, gives the impression that ho enjoys his joh of bringing to book insider traders, market manipulators and other perpetrators of unscrupulous securities market practices.

"The investigation of insider trading is much further ahead than it was six months ago," he says. "Now tho SEC is viewed as a force to be reckoned with."

Two high-profile cases, bo says, are responsible for the change: the case started in May against Mr Dennis Levine, then a managing director of Drexel Burnham Lambert; and the case started in August against Mr Harvey Katz and his fether-in-law Mr Elie Mordo.

The SEC has forced Mr Katz and Mr Mordo to pay up $4.2m. It has also recovered nearly $16m in illegal profits from Mr Levine and his associates and uncovered a network of insider dealers. More cases are in the pipeline.

"The Levine case can be seen as a watershed," says Mr Lynch. "It showed you could get people at the beart of the securities industry, who were previously thought to be immune.

"People have been given e shock. Information is not passed on when it might bave been in the past; and information that is passed on is not traded on."

One reason for the SEC's recent successes, Mr Lynch believes, is its more aggressive attitude. In the past, it might have eccepted a person's reasons for buying the shares of a company just before e bid. Now the commission gets an investor under invostigation to commit himself on ooth to a story as early es possible. Evidence is then produced.

> 'Now the Securities & Exchange Commission is viewed as a force to be reckoned with'

Another reason is the more sophisticated use of computers. The SEC uses them both to monitor share dealings in the run-up to major news announcements and, during investigations, to sift information and pick out patterns. There is also an extensive analysis of telephone records.

But as the policemen become more efficient, so do the criminals. "Even Levine got more sophisticated as time went on," says Mr Lynch.

He is far from downcast, though, and thinks that the successes of the past months can be built upon. To be really effective he needs two things: more co-operetion at home and abroad.

At bome, he wants tip-offs from inside the securities industry. One way of doing this is to offer rewards, something the SEC is considering. But Mr Lynch says what is really needed is a change in attitudes: honest bankers and brokers must come to realise how bad for markets the rotten eggs are.

From abroad, he wants more help from foreign regulatory authorities in exposing fraudsters who buy US securities through foreign banks. They do this to cover their tracks, hiding behind the legislation which, in several countries, prevents banks from revealing the identity of their customers.

Mr Lynch's predecessor, Mr John Fedders, tried to deal with this problem by extending US jurisdiction abroad. A celebrated example was the SEC's case against Banca Della Svizzera Italiana in 1981.

BSI was refusing to reveal the identity of investors who had used it to buy shares in St Joe Minerals just before a takeover bid, so the SEC took it to court. When the judge threatened BSI with fines of $50,000 a day for each day it refused to divulge the information, it quickly sought — and obtained — epecial exemption from the banking laws from the Swiss courts.

Mr Fedders tried to formalise this principle hy proposing thot anybody buying or selling securities in the US should forego the protection of foreign secrecy laws. The idea, however, was severely criticised by foreign governments as an interference in their sovereignty and shelved.

Mr Lynch's approach has been moro diplomatic. He believes in negotiating with other countries bilateral deals to exchange informotion and in extending the scope of deals that exist.

Already the US bas agreements with Switzerland, Canada, the Cayman Islands, Japan and Britain. The Japanese deal is the least comprehensive — co-operation is not compulsory but is decided on a case-by-case basis. But it is psychologically important as the SEC had had little contact with the Japanese authorities before, Mr Lynch says.

The memorandum of understanding signed with Britain's Department of Trade and Industry last month goes the furthest. It covers capital adequacy as well as all sorts of securities fraud. There are plans to upgrade it to a formal treaty next year.

Although Mr Lynch is clear that the diplomatic route is the one he favours, be is prepared to take unilateral action of the BSI variety where the US has no agreement with a country that be thinks is being used as a shelter. "We always retain the right to go to court."

Tokyo in plan to tempt back corporate borrowers

BY YOKO SHIBATA IN TOKYO

THE JAPANESE Ministry of Finance (MoF) has unveiled plans to tempt corporate borrowers back to the domestic capital market by easing substantially the rules on bond issues in the Tokyo market. The measures are expected to be put into effect in stages soon after the New Year.

The ministry's decision has been prompted by the virtual abandonment of the domestic fixed-interest market in recent years as Japanese companies have turned increasingly to overseas bond markets to raise finance.

As a result of this trend, the MoF apparently fears that the domestic corporate bond and debenture market could wither, heavily regulated by the trustee bank system and weighed down by costly collateral requirements.

The ministry's plan envisages doubling the number of companies allowed to offer unsecured corporate bonds, while the smallest permitted private placement will be increased from Y3bn to about Y10bn ($62.5m), and the period of notice required before launching issues will be reduced.

In addition, the MoF is considering allowing companies in the rapidly growing services sector to issue bonds more easily, by substituting a rating system for the present burdensome collateral requirements, which many find it hard to meet.

Under present regulations, some 60 companies are allowed to issue straight, unsecured bonds while a further 180 companies can issue unsecured convertibles.

India raises liquidity of its commercial banks

BY R. C MURTHY IN BOMBAY

THE RESERVE Bank of India (RBI), the country's central bank, has increased the liquidity of commercial banks by Rs 12bn over the next six months to assist them in meeting the expanding credit needs of the Indian economy.

The new credit policy, introduced by the Reserve Bank for the period November 1986-May 1987, known in banking jargon as the busy season, is a break from the past when no significant relaxations in RBI refinance tranches were made to banks.

The RBI considered deposits of banks, growing at between 16 and 18 per cent annually, sufficient for the banks to meet the demand for loans.

India is an agricultural economy, though the share of industry in its gross domestic product is increasing, and demand for credit is still seasonal, waxing in six months from November when crops are moved to the market, and waning in the following six months.

The focus of the RBI in the recent past was on controlling inflation and banks were asked to meet the enhanced demand for funds during the busy season from their deposit growth. An increase in access to Reserve Bank refinance is seen as a signal to commercial banks to lend more within the guidelines issued for deployment of bank credit in different sectors of the economy.

Bankers say a shift in the RBI stance away from tight credit policy is significant since the emphasis has been all along on fighting inflation. Mr R. N. Malhotra, governor of Reserve Bank, was quoted to say recently that anti-inflationary measures would continue to be top priority.

More open markets called for in Ontario

By Bernard Simon in Toronto

THE ONTARIO Government is coming under pressure to relax its policy on foreign ownership in the Canadian securities industry beyond the popesals for greater non-resident participation due to take effect on January 1.

Members of the Toronto-based industry met the Ontario Securities Commission (OSC) yesterday in an effort to present a united front on foreign participation before the provincial government makes a final decision on the new rules.

The debate revolves around a government proposal earlier this year that a foreign securities firm be allowed to own up to 30 per cent of a domestic dealer, compared to the present single-shareholder limit of 10 per cent.

Ontario, which sets the pace for the rest of the country, also plans to register a limited number of wholly-owned subsidiaries of foreign firms, and to allow other domestic financial institutions—such as banks—to acquire between 30 per cent and 50 per cent of a securities firm.

London's Big Bang and the internationalisation of the securities business has persuaded some dealers however, that Canada should open its markets more widely if it bopes to remain a force in the global securities business.

Mr Stanley Beck, OSC chairman and a leading proponent of greater access for foreign firms, said yesterday that the level of foreign ownership has become "a matter of discussion." The final foreign ownership rules and the criteria for registration as a foreign dealer are expected to be announced within the next two to three weeks.

In keeping with the Government's priority of maintaining the Canadian character of the industry, Mr Beck said that there is no question of foreign firms being allowed to acquire majority interests in Canadian dealers.

The most that foreign institutions can thus look forward to for the time being is an increase in the maximum shareholding to 49 per cent. It is uncertain whether the Government will be willing to accept even this limited further relaxaten.

Confirming the division of views within the industry, Mr Donald Page, chairman of the Toronto Stock Exchange, said that "it depends wher you want to take you own firm as to where your view is going to be."

Some Toronto-based dealers are already concerned at the intense competition expected after the entry of big US and Japanese securities firms.

J. H. Schroder buys leading primary dealer

By Terry Dodsworth in New York

AUBREY LANSTON, one of the leading independent primary dealers in US treasury stocks, is being acquired by J. Henry Schroder Bank and Trust Company, the New York Bank held 75 per cent by the Industrial Bank of Japan and 25 per cent by Schroder of the UK.

The agreed deal follows a spate of acquisitions of primary dealers — bond traders who are the main link with the Federal Reserve Bank of New York in distributing new government securities.

A number of larger financial conglomerates have moved into the market recently, attracted by the rapid growth in US government bond dealing, while primary dealers have been searching for outside capital to fund their expansion plans.

Aubrey Lanston, which employs 62 people, is being acquired for $234m against book value of only a little over $100m. The substantial premium that Schroder Bank has been prepared to pay, however, is roughly in line with recent purchases in the primary dealer market.

Mr Richard Kelly, president of Aubrey Lanston, said last night that the decision to sell the company was partly because a large part of its capital was tied up in the estates of two of the founding members, whose families wanted to withdraw cash.

At the same time, a sale would allow the capital to be liquidated before the capital gains tax rate rises from 20 per cent to 28 per cent in the new year.

$150m paper for Union Oil

By Our Euromarkets Staff

UNION OIL Company of California, with the guarantee of Unocal, its parent, has mandated Shearson Lehman Brothers International to arrange a $150m Euro-commercial paper programme.

First Chicago and S G Warburg are dealers for the programme.

Two-stage syndication for Australia's FRN issue

BY CLARE PEARSON

CREDIT SUISSE First Boston (CSFB) reverted to a method of syndication not seen in tho Eurobond market for some years when it launched a $600m floeting-rate note for Australia by means of a "two-stage" syndication.

CSFB invited a group of six underwriters into the issue who undertook to bold the paper. CSFB then added a selling group yesterday, who are required to take paper from the underwriters only in so far as they find demand.

The issue comes in the wake of widespread concern about dealing practices in the FRN market.

A recent fixed-rate bond convertible into an FRN for Denmark was widely sold short in the market after it was announced by lead-manager Morgan Stanley by dealers hoping to buy the bonds hack at lower prices. Morgan Stanley forced the dealers to buy back bonds at a level far above issue price, and lossee ran to millions of dollars.

The deal, Australia's first FRN, was originally for $500m but was increased to $600m yesterday. It bas a life of 12 years, and pays interest at six-month London interbank bid rate flat. On the first interest setting date, on November 24, it will pay the higher of 5¾ per cent or Libid.

Recent issues priced with coupons around Libid, which appeal to money market investors but which banks can fund only at a loss, have traded poorly.

CSFB said that Australia's issue traded yesterday at 99.50, against a par issue price and 60 basis point fees. The bond is non-callable for three years, and may be put by the investor after 10.

Elsewhere a bout of "discount rate fever" struck the Eurobond market yesterday morning. Fixed-rate Eurobond prices were marked about ½ point

INTERNATIONAL BONDS

higher as bopes rose thot an international round of interest rate cuts were in the offing following news reports that Japan would be cutting its 3½ per cent discount rate.

Eksportfinans of Norway borrowed $300m through two separate fixed-rate deals. The first, led by Merrill Lynch Capital Markets, was a $100m seven-year 7¼ per cent issue, priced at 101¼. The second was a $200m 10-year 7½ per cent issue priced at 101¾, led by IBJ International. This was the first Eurobond to be listed in London after the Big Bang changes on Monday.

Both issues were qnoted yesterday at levels outside their total fees, after a bout of profit-taking in the US Treasury bond market took Eurobond prices lower.

Wood Gundy issued a C$100m 9½ per cent seven-year issue, priced at 100¼, for GMAC Canada.

Banque Generale dn Luxembourg issued an Ecu 50m five-year 7¼ per cent bond, priced at 100¼, for the EEC. Demand for Ecu bonds is low at the moment, but dealers said EEC's bond ettracted interest because of its short maturity.

Prices in tha D-Mark morket moved up to ¾ point in firm trading.

Dresdner Bank issued a DM 100m five-year equity warrants bond for Settsu Corporation, the Japanese paper company. The coupon was indicated at 2¼, but pricing will take place on November 7.

Turnover in the Swiss franc market was average and price changes mixed. Union Bank of Switzerland issued a SFr 150m 10-year 4¾ per cent bond, priced at 99¾, for Tohoku Electric Power.

Union Bank is expected to launch a SFr 200m eight-year 4¾ per cent bond for the Province of Manitoba today.

Banca Manusardi issued a L70bn bond for Olivetti International, guaranteed by the parent company. The five-year 10¼ per cent bond is priced at 99.

Soviet deal mandate awarded

BY ALEXANDER NICOLL

BANQUE NATIONALE de Paris confirmed yesterday that it had been awarded a mandate for a $30m credit for the Soviet Foreign Trade Bank with the finest terms yet seen on a Soviet deal.

The eight-year loan carries a margin of ⅛ percentage point over London interbank offered rates (Libor) for the initial five years—the first time that such a low spread has been assigned to a Soviet loan. For the remaining three years, the margin rises to ¼ point.

Four other banks are jointly leading the credit: Creditanstalt - Bankverein, Kansallis-Osake-Pankki, Monte dei Paschi di Siena and Sumitomo Bank.

Banks which have traditionally heen prominent in lending to the Soviet Union, such as the big West German and British institutions, are notably absent. There had also been speculation that one or more US banks would take part, but there was apparently resistance to the tight terms.

Balancing this, reception of the deal is likely to reflect the shortage of good quality new assets in the Eurocredit market.

The commitment fee on undrawn balances is ⅛, and members of the syndicate will receive front-end fees ranging from 10 basis points for commitments of $2m to $4 up to 25 basis points for co-lead managers.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on October 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	55⅞	55⅞	+0½	+0¼	14.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.50
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FINANCIAL TIMES SURVEY

Friday October 31 1986

Pittsburgh

There is fresh confidence among the business community in Pittsburgh, the second city of Pennsylvania. The area is at last seeing a fall in unemployment with a significant shift towards service and high technology industries.

City welcomes a swing of fortune

EMERGING from the Fort Pitt tunnel on route 279, the visitor to Pittsburgh comes upon a skyline which is both much more attractive and impressive than might be expected from a city which still has the reputation of being "the grimy steel-maker for the nation."

The city's core nestles in a triangle between the Monongahela and Allegheny rivers as they meet to form the Ohio. Its residential districts spread out and up the picturesque bluffs that dominate Pittsburgh's topography.

Steel making was displaced as the principal economic motor for Pennsylvania's second city at least a decade and a half ago, though slices of its housing areas and its business district still have the grey and gritty feel that testify to industrial roots.

Pittsburgh has gone through several phases of urban renewal and economic change since the World War Two. The latest of these—which started at the beginning of the 1980s and is still going on—was partly a reaction to the crises which struck steel and heavy engineering at the end of the 70s.

This drove unemployment up to 14.5 per cent, a powerful and *unpleasant reminder that while* manufacturing had become less important as a source of wealth creation it offered until then a large jobs pool.

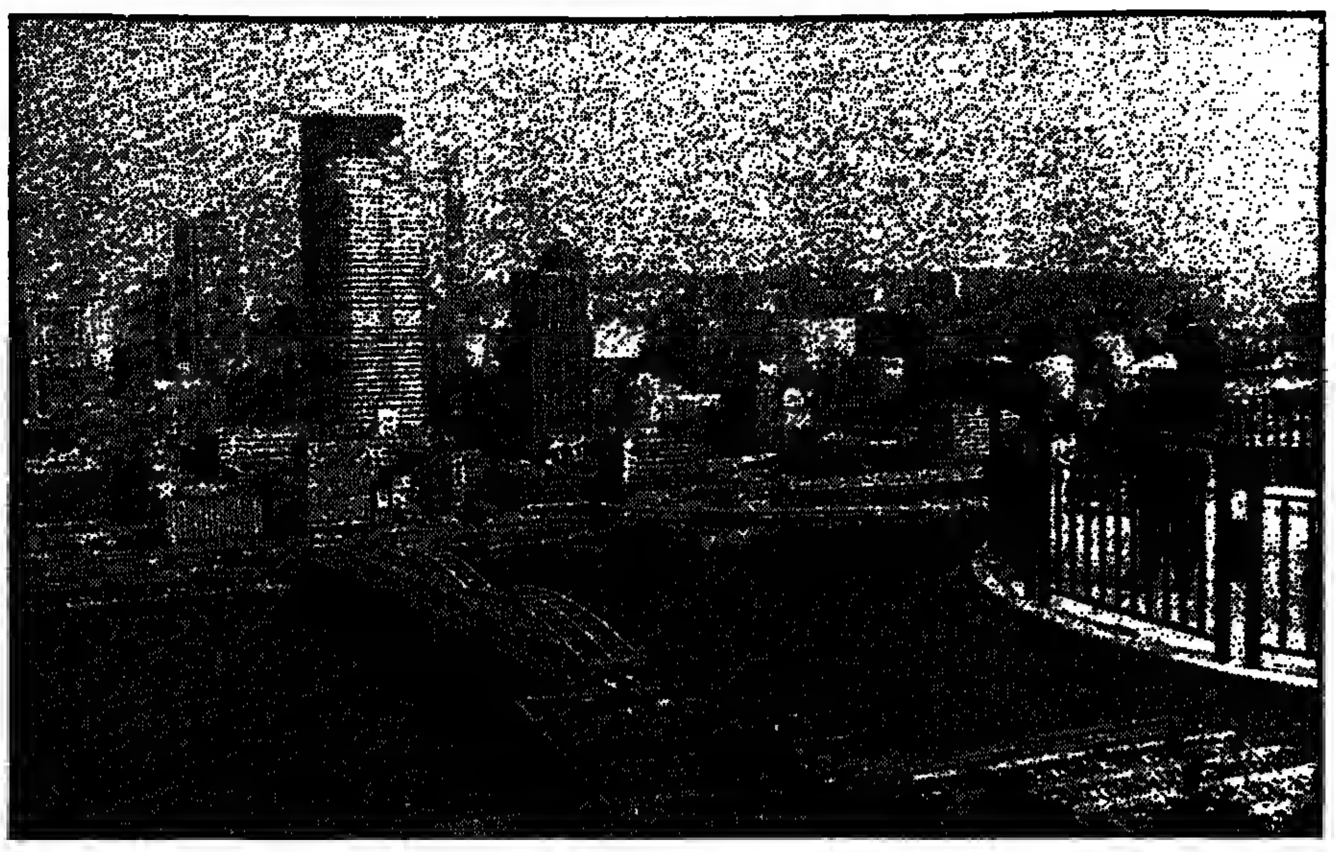
What has happened in and around Pittsburgh since the early 1980s offers a yardstick for other cities with similar problems. Unemployment in greater Pittsburgh is now 8.6 per cent and falling, a very significant shift towards services and high tech jobs is under way, and the heart of the city is marked by new construction work that is at least a testament to the confidence of the business community.

This swing in fortune can be attributed to an impressive record of local self help and community leadership, the oldest expression of which is the Allegheny Conference.

Using Pittsburgh's remarkable assets — the third largest number of corporate headquarters among US cities, two big banks—the Mellon and the Pittsburgh National — and a large number of cash-rich foundations of which the most famous was started by the Mellon family, the Conference brought together back in the 1940s all the big corporate bosses, politicians and community leaders in a drive of community will.

The conference still exists but other agencies such as real estate companies and in particular the universities, principally Carnegie Mellon and Pittsburgh, are now involved. Pittsburgh again feels it is going somewhere.

Life is by no means all rosy, however, in this north-eastern city which has more than a hint of the mores of the mid-west. Pittsburgh has a small core population of 400,000, and another 2m living in five counties stretching more than 60 miles, all of which look to Pittsburgh as their main regional centre.



Terry Kirk

● **Pittsburgh, a city adjusting to economic changes. Above, a view from a platform on Mount Washington, looking across the Monongahela River**

Some people wonder whether the new office blocks springing up like mushrooms among the $1.5bn of new roads, buildings and airport construction work over a six year period to 1988 will ever be filled.

The depressed and depressing manufacturing townships along the Mon Valley like Braddock and Homestead look like dying communities and the redundant middle-aged steel workers still living there find the task of re-entering the labour market just as formidable as their counterparts in Europe.

Their union, the United Steelworkers of America complains bitterly about the loss of highly paid steel jobs and the growth of poorly paid service jobs with few if any employment benefits.

Parts of what is left of Pittsburgh's manufacturing could still disappear. "The jury is out right now on whether it will be just a full service economy," says John Craig, editor of the Pittsburgh Post-Gazette. Publishing now employs almost as many people as does steel in the Mon Valley.

The ugliness and deprivation of the Hill district black ghetto also makes an unpleasant contrast with the neat middle-class affluence of Sewickley or the *skiing centres in the mountains* near Ligonier south-east of Pittsburgh.

Despite these problems greater Pittsburgh is going through a transformation of its employment structure which many European and, in particular, British cities desperately need but cannot generate.

According to Mellon Bank figures, the number of service jobs in greater Pittsburgh rose by 80,000 in the 10 years to 1985 and are now estimated to be increasing at the rate of 20,000 a year. Service jobs have grown as manufacturing went a long tailspin, leading some economists to believe that at least over a relatively small geographic area a service economy can be self sustaining.

A substantial chunk of manufacturing still exists — from large Westinghousa plants that have continued to affect and in some sectors eclipse its traditional employment base since the 1950s is partly based on the good fortune which gave the city a small coherent business core, those powerful foundations and those corporate headquarters.

At the same tima it has demonstrated a remarkable ability to form networks between local big business, small companies and the universities; it bas done exceptionally well in keeping a high proportion of its non-manufacturing operations, especially the stable employment of its corporate beadquarters offices; and its bas attracted a very substantial amount of inward investment.

The technical competence of one end of the scale to small machine shops that once fed off the steel mills but now survive on e mixture of general engineering and Federal defence contracts.

The ability of Pittsburgh to adjust to the economic changes its universities in areas sucb as software and electronics and its big hospitals and other medical facilities bave spun off into the area's employment fabric though the creation of small companies to a degree many other cities envy.

This system of self belp bas links back to the Mellon family and the early bistory of Pittsburgh. In the city everyone who has influence and power seems to know everyone else.

Large corporate beadquarters include those of Westinghouse. Alcoa, Heinz and the beleaguered USX. They have all been prepared, and generally bappy, to remain in Pittsburgh. PPG (Pittsburgh Plate and Glass) completed two years ago a $200m beadquarters and general office complex that points to the sky like shards of glass, part of the "we are bere to stay" syndrome.

South-west Pennsylvania — an aren larger than Connecticut — bas attracted inward investment by companies based in and outside the US to an extent envied by many similar sized regions.

Penn South West, a development egency with offices in Frankfurt and Tokyo, a $750,000 yearly operating budget and a $200,000 advertising kitty says it has helped to attract 300 companies since 1974 to an area 130 miles radius of Pittsburgh. Just over 200 of these companies are foreign owned and a half of these have located tbeir beadquarters in the state. Volkswagen built a car production plant at New Stanton east of Pittsburgh in the mid-70s.

Penn South West claims thet most of the 60,000 jobs that inward investment has brought are within one hour's drive of the city, many of tbem in offices and plants between the city and the airport, along with the Buy and Fly take-ways and Gourmet Budget eating houses.

Apart from the long standing Allegheny Conference and organisetions sucb as the Chamber of Commerce and the all-Pennsylvania Ben Franklin Partnership there are nine relatively new sub groups, technically falling under the Conference umbrella.

The city is fond of calling these "task forces" and they include people from business, politics and the universities with ideas and influence to improve Pittsburgh's performance in areas such as advanced technology, city infrastructure and "quality of life."

In particular, the universities and the people who teach in and graduate from them, have demonstrated a keen willingness to embed themselves in small business creation and Pittsburgh looks destined to become a major *software* centre. *The* High Tech Council claims there are 600 "technology intensive" firms employing 60,000 in south-west Pennsylvania and at a recent venture capital fair in Allegheny county two thirds of the 75 companies looking for investment were spin offs from Carnegie-Mellon University.

Pittsburgh, therefore, is a city and region of strong contrasts. Some of the older industrial towns which surround it are having the life sucked out of them, and many of their young people are leaving. Civic leaders seem confident that growing employment opportunities in greater Pittsburgh will eventually cater for most of them.

Nick Garnett

City's main banks plan 'super regional' role

PITTSBURGH'S major banks are currently weighing their regional expansion strategies following the signing into law by the outgoing Governor, Dick Thornburgh, of legislation enabling Pennsylvania bank holding companies to participate in interstate banking in neighbouring central Atlantic states.

Such pacts, between banks in states with similar laws in the same geographic region, are widely seen as the next stage in the broader process of deregulation currently spreading through the US financial services industry.

The legislation, which took effect on August 25, effectively gives Mellon Bank and PNC Financial, the twin pillars of the city's banking system, until the end of the decade to pursue their ambitions as so-called "super regionals" before the big money centre banks are allowed into the frame. Bank holding companies from any state will be granted reciprocal banking privileges in Pennsylvania after March 4 1990.

Neither bank has wasted time in the starting blocks. In March, Mellon reached agreement to buy certain assets of the Community Savings Loan Association, a failed Maryland thrift group—a small but strategically significant investment. This was followed in June by PNC's more ambitious agreement to merge with Louisville-based Citizens Fidelity Corp, the largest Kentucky bank holding company, boasting assets of some $4bn.

Both Pittsburg banking giants, in common with its other financial institutions, have had to come to terms with the transformation of the city's economic base away from heavy industry towards the service and high technology sectors.

Despite the startling success of the transformation, this has led to a period when overall growth in the Pittsburg area has been unable to keep pace with the banks' own growth *ambitions.*

"We went through a period when it was difficult to justify lending into businesses affected by the demise (in heavy industry)," recalls Mr Michael Fritz, a Mellon vice president.

The retention of a surprisingly high number (13) of Fortune 500 company headquarters in the Pittsburgh area has been one factor helping local banks to maintain growth rates. The opportunity, open to them since 1982, to expand their intrastate geographical bases has been another.

By November, 1985, Mellon had acquired no fewer than six smaller Pennsylvania concerns, including the substantial Philadelphia-based Girard Bank, now somewhat controversially renamed Mellon Bank East. Meanwhile, Citizens Fidelity is the fifth institution to be amalgamated under the PNC label—itself formed by the 1983 merger of Pittsburgh National and Provident National of Philadelphia.

Stung by the cost of consolidating earlier purchases, Mellon has recently slowed the pace of its acquisitions programme, with the exception of it $37.5m swoop into the coveted Maryland market and the purchase of a small securities price reporting service in New York.

"We are not chasing size, per se," says Mr J. David Barnes, chairman and chief executive officer.

PNC, very much a blue-eyed boy among its peer group on Wall Street at the moment, meanwhile retains an active interest in acquiring strong performing banks with assets in the $2.6bn *range in fast-growing* central Atlantic markets.

"We decided we were not interested in buying mediocre banks," says Mr Allan Kirkman, a senior vice-president and chief planning officer, "but we are not interested in anything that would cause more than 5 per cent dilution," he adds.

In other respects, there are marked similarities between the two banks' strategies. Both believe it essential to offer a diverse range of banking services, the better to ride the individual peaks and troughs of ever-more volatile markets.

PNC has structured around three major lines of business: corporate and retail banking and trust/money management. Mellon, *meanwhile, is reducing* its traditional dependence on the depressed wholesale sector, in turn stepping up its interest in community banking and computer-based services.

"I think worldwide that there is a surplus of wholesale banking capacity," says Mr Barnes.

Neither accords a very high priority to international banking at present.

"It is not an area in which we have an abundance of opportunities," says Mr Barnes. "You can't be *good at everything.*"

Meanwhile, PNC still allows its global policy to be broadly customer-driven, developing expertise in new areas as and when established clients demand it.

Mellon, tha nation's 12th largest banking group with assets of over $30bn, whose name was synonymous with the *profession in Pittsburgh* for almost a century, has clearly been discomfited by the recent performance of its upstart rival, now the 26th largest US bank with $20bn in assets, particularly as the challenge has come at a time when the senior partner, though in sound financial shape, is not exactly setting the world alight.

Net income in the first half of 1986 rose just 5 per cent from a year earlier to $115.3m. Meanwhile, increased loan losses due to the impairment of several energy-related credits have been a fresh source of concern.

While Mellon's energy sector headaches are minor compared to those of many competitors, they were a major factor in tha 8 per cent hike to $67m in the value of non-performing assets between the end of March and the end of June. Loan write-offs also rose sharply in the second quarter to $75m, up from $28m *in the preceding three months.*

Girard at least appears to have been better integrated into the overall Mellon structure after an initial period characterised by poor returns and an exodus of senior management.

"In recent quarters, Mellon Bank East has been a consistent contributor to financial results," ona *Mellon* spokesman observed.

PNC has grown by wedding its reputation as an imaginative innovator in the customer services sector to a very conservative lending policy. It was, for example, tha first regional bank to establish a merchant banking company. Wall Street has also been impressed by the bank's much-voiced commitment to building share-holder value.

Meanwhile, the big banks are streamlining their loan services to small and medium-size businesses. Mellon, for example, has cut the waiting time for a loan decision to as short as 2-3 days.

But the big two are coming up against some spirited competition from a rather unexpected quarter as they seek to lure fast-growing small and medium-sized businesses in the Pittsburgh and Philadelphia *market areas.*

The much smaller Equimark corporation (total assets $2.25bn) has set its sights on precisely this market niche as it seeks to consolidate its recovery from previously dire financial straits.

David Owen

How the Pittsburgh-based banks performed

● Values in $m

Bank Holding Company	Total Assets	1985 Net Income	% Change on Year	6 Mths '86 Net Income	% Change on Year	Reserve for loan losses	As % of total loans	6 mths provision for loan losses	Non-performing loans	As % of total loans	6 mths return on equity	6 mths return on assets	Primary capital ratio	Number of branches
Mellon Bank Corporation	36,179.0	291.7	+27	115.3	+ 5	439.4	1.91	169.2	798.0	3.39	13.0	0.65	6.70	654
PNC Financial Corp	20,132.6	187.8	+31	121.6	+37	193.7	1.75	78.0	125.8	1.23	18.11	1.19	7.62	254
Equimark Corp.	2,325.6	7,930.0	N.M.	723.0	−74	25.5	1.61	4.1	36.9	2.3	N.A.	N.A.	7.00	78

Source: Rivka Nachoma, research assistant

● The Civic Centre with the world's first and largest retractable dome. Behind it are the city's high rise commercial buildings, including the United Steel Building, the tallest in Pittsburgh.

Key role for small business sector

THE SMALL business sector has played a crucial role in Pittsburgh's regeneration by spear-heading the shift away from the ailing basie metals industries upon which the city's economy has been dependent for so long.

High technology companies, which now employ around 5 per cent of the greater Pittsburgh workforce, primarily in small units, remains by common consent, a bright spot on the employment scene. But growth in the services sector (both high-technology related *and otherwise) has also* been impressive. Manufacturing, while registering a massive steel-related net decline, is by no means about to disappear from the scene altogether.

In fact, small businesses now employ a greater proportion of the local workforce than they did 10 years ago, partly because of their own multiplication and *growth and partly* because of the decline in many of the large, industry-related corporations.

According to PNC Financial, in mid-1985, 74 per cent of Pittsburghers worked for companies that employed less than 3,000 people. The local chamber of commerce, meanwhile, maintains that 94 per cent of all regional businesses have less than 50 employees. More than half of the concerns, they add, have less than five people working for them.

Although some of the 40 per cent *increase in employment* in private services in Pittsburgh between 1974 and 1984 is attributable to larger companies, the majority, observers relate, is tied to the small business sector.

Legal services were a particularly fast-growing area, registering an 81.6 per cent increase in numbers employed to 5,700 during the period in question. More jobs were actually created however in the health and business services sectors, where employment cross by 27,800 and 11,700 respectively, according to the *Pennsylvania Bureau of* Employment Security.

The rapid recent growth of the services sector is partly due to ground-work made some 30 years ago when recession first hit the city's hitherto thriving primary metals industry. Service sector employment in the region was on the increase throughout the 1960s, instilling the necessary *expertise and* infrastructure to foster further growth when the second steel-related recession hit.

Most observers expect that services, particularly health and business, to continue to be a key growth area for small companies for the foreseeable future.

Smaller manufacturing companies meanwhile have found, like the city as a whole, that they have had to diversify away from their traditional dependence on the dominant steel sector.

For the established groups, the transition has been painful in the extreme. But high technology has spawned a growing number of successful smaller manufacturing enterprises in areas such as computer-*controlled machine tools* and high quality optical instruments.

Indeed, the Pittsburgh High Technology Council estimates that advance technology now accounts for around 20 per cent of the manufacturing jobs in the region.

Nonetheless, a net 107,000 manufacturing jobs were lost in Greater Pittsburgh between 1974 and 1984, a sizeable chunk in the small business sector. Observers estimate that some 50 per cent of the small manufacturing services the steel sector at the start of the decade have by now capitulated. Many more have moved out of the region as a consequence of their attempts to diversify.

But a number have stayed and survived, usually by shifting away from their ailing traditional end user sector and occasionally by cashing in on a growing trend among large constructors and manufacturers to seek outside sources for individual components.

Hall Industries, owned and managed by the vintage car enthusiast, Mr Harold Hall, is an example of one company which has earned a new lease of life by effectively turning its back on the steel supply and maintenance business.

"I wouldn't accept that if you can service the steel industry you couldn't do the same for for the transit business," says Mr Hall, who adds "the marketing push" required is much more intensive for the geographically diverse transit industry.

The company now specialises in electrical conductor equipment, wheel and brake systems, together with door hardware. The company also has an eye on the burgeoning high-tech sector.

The transition was a hard struggle, with the company's payroll at one point down to 50 from a peak of 180. The workforce is now back up to around 200, however, and prospects are looking decidedly brighter.

David Owen

Big shift in job scene

ANYONE doubting the massive *structural shifts* in the Pittsburgh employment scene need look no further than the estimates on jobs collated by the Mellon Bank.

For the five counties which make np greater Pittsburgh, total non-agricultural employment between 1955 and this year grew by 9 per cent, including a decline during tha difficult years around the start of this decade.

However, non-manufacturing employment, mainly services such as retailing, finance and local government, grew by 57 per cent while *manufacturing* jobs shrank bv an almost equal amount.

Primary metals sector—which in Pittsburgh almost exclusively means steel—collapsed by 78 per cent. Even in 1975, primary metals employed about 100,000 (150,000 in 1955), but this was down below 40,000 last year and the bank expects this number to be about 34,000 by the end of this year—a figure steel union officials believe to be exaggerated.

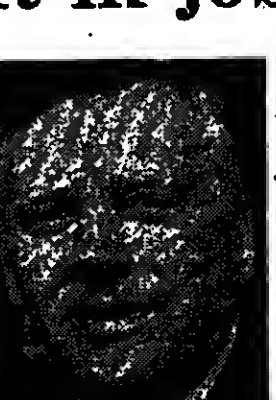
Mellon estimates that non-manufacturing jobs will have increased by 100,000 to 770,000 by the start of 1987, by far the largest growth coming from retailing, followed, some way behind, by Government jobs and finance.

Just examining the trend in more recent years, shows that primary metals, other forms of manufacturing, mining and construction eccounted for 32 per cent of jobs in 1979, but that is now down to around 22 per cent. They accounted for almost 50 per cent of the shares in 1955.

Between 1979 and 1985, "private service" jobs such as real estate, finance and transportation, together with retailing and government employment grew from 67 per cent to 77.5 per cent of total employment, according to Mellon Bank estimates.

Not everyone thinks these changes are for the best. The United Steelworkers of America, the steelmen's union which is headquartered in e modern building close to Pittsburgh's city centre, complains bitterly about low-paid service jobs of less than 20 hours a week which carry no employment benefits.

Many in Pittsburgh are also worried about the loss of *employment in manufacturing,* particularly if the steel industry totally collapses in the area, and the damage this might do to some of the many smaller companies which depend upon it.



Norman Robertson, chief economist, Mellon Bank: "*jobs have boomed in the services sector*"

However, Mr Norman Robertson, chief economist at Mellon is one who does not share these fears, while recognising the great difficulties in absorbing former steelworkers into Pittsburgh's new economy.

The most surprising aspect, he *says, is that service jobs* have boomed in the face of a huge decline in many of the employment sectors that once generated a large slice of Pittsburgh's wealth.

"This suggests the idea that growth of services is self-sustaining and eutonomous," he adds.

The pronounced changes in the area's employment structure are partly linked with the mobility characteristics of US employment. They also mask structural unemployment which fails to show up in the statistics because of the way unemployment rates sre calculated.

Four specific factors, however, seem to be in play in greater Pittsburgh. These are its role as a major regional service, financial, education and corporate headquarters centre which makes up a grouping of relatively stable employment; the growth of small businesses; the upsurge in small high technology companies; and its ability to attract jobs in companies relocating from elsewhere in the US and from outsida the county.

Companies with their headquarters staff in the city include USX, Westinghouse, Heinz, PPG (formerly Pittsburgh Plate and *Glass), Alcoa, Rockwell,* Koppers and Dravo with US Air at the airport. Mellon, the twelfth largest US bank with deposits of $36bn and the smaller though exceptionally well-run Pittsburgh National Bank, have been stable employers.

Carnegie-Mellon and the University of Pittsburgh and the other universities, colleges and medical centres in the area also represent a major jobs pool *and there are now as many* people employed at the Post-Gazette newspaper building as are on the USX payroll in the steel-making Mon Valley.

Within a seven-county area in and around Pittsburgh, some 50,000 small companies, each with a turnover less than $5m are at work—"That is a lot of small companies," says Michael Fritz, vice president in charge of small business loans at Mellon Bank.

The failure rate of these companies runs at about 80 to 85 per cent, but many of those that survive have shown remarkably rapid growth.

Tim Parks executive director of the High Tech Council, a regional association of high technology companies and those *organisations interested* in helping them, says that in the relatively large area of south-west Pennsylvania more companies now employ about than 600 "technology-intensive" 60,000. Some, such as the Carnegie Group (softwear) and American Simflex (manufacturing systems) were set up by university staff and have expanded to 300 or 400 workers.

The othar main plank of employment growth has been the attraction of companies outside tha region. Penn South West, a regional promotion body whose nine-county area is larger than Connecticut, has been running since 1973. It is a non-profit organisation funded by tha major corporations with a $750,000 operating budget and offices in Frankfurt, Tokyo and on the US West Coast.

Mr Jay Aldridge, senior executive at Penn South West *says it has helped to attract* 299 companies since 1974, 206 of them foreign owned. Of the 60,000 jobs those companies have brought Mr Aldridge estimates that 55,000 of them are within one hour drive of downtown Pittsburgh. Among the foreign-owned business, 103 have their US headquarters in the region.

Where jobs are concerned, though, there are always worries. People wonder how many steel jobs will be left in the Pittsburgh area and some are even anxious about the long-term commitment of Volkswagen which set up a production plant at New Stanton in 1976.

Nick Garnett

Metals industry hit hardest

HUGE CHUNKS of manufacturing have disappeared from the greater Pittsburgh scene in the past three decades and it really is no longer a heavy manufacturing area.

Engineering contractor Dravo has gone through some difficult times. Koppers has meanwhile divested large parts of its manufacturing, though both companies have been on the comeback trail.

By far the largest and most stable manufacturing employer in the area is Westinghouse which has more than 20,000 employed in production in the region. This includes its energy systems group at Monroeville, as well as industrial automation at O'Hara township, transportation equipment at West Mifflin and a nuclear power plant component-making facility at Cheswick.

The group also has a number of research operations and laboratories in greater Pittsburgh—a real boon for the area. Alcoa is another company which has laboratories close to Pittsburgh *but only a tiny* production presence—in this case, ceramics. It recently rid itself of an aluminium powder and pigment plant.

One of the characteristics of the Pennsylvanian city is that it has many corporate headquarters but these companies now have only small production facilities in the area. Rockwell for example has no real high-tech production in the region.

The setting up of a Volkswagen plant at New Stanton, 30 miles from the centre of Pittsburgh in the mid-1970s—and now making the GOLF GTI, to be followed soon by the Jetta—was a valuable addition. Many local people worry, however, at the continuing lack of Volkswagen penetration in the US car market.

Many small engineering companies, once dependent on steel, have so far survived, some with spin-off work from Pentagon *defence contracts. Inevitably,* though, attention focuses on the ing names such as US Steel (now USX), Wheeling Pittsburgh, Jones and Laughlin (now LTV) and Babcock Wilcox.

Steel is a sorry tale and in a sorry state with LTV and Wheeling Pittsburgh under bankruptcy protection.

The steel division of USX is still the biggest US steel-maker, but the recent strike at its plants in the Mon Valley were met by a big yawn by the rest of the US economy.

The steel industry in the Pittsburgh area employed 75,000 people in the mid-1950s according to the United Steelworkers of America but that is now down to around 5,000. The huge Jones and Laughlin Aliquippa works (3.5m tonnes and seven miles long) has gone.

USX has closed or indefinitely shut-down its Duquesne bar products plant and its structural steel and plate facility at Homestead.

USX has shut 150 plants in North America in the past 10 years but around Pittsburgh it still has the Irvin sheet and strip plant, the Edgar Thomson semi-fabricated production facility, a coke works at Clairton, the Saxonburg sinter works and the Vandergrift *silicon* sheet plant.

Walrton Steel in nearby West Virginia, bought from National through an Employee Stock *Ownership Plan (ESOP)* and which has been making profits recently shows that it is still possible to make money producing steel in tha US.

Nick Garnett

Moves to attract foreign investors

MORE THAN most American cities, Pittsburgh has suffered from a brutal encounter with the world economy. Having seen its steel industry rust and its oil industry dry up, Pittsburgh took the novel step of fighting back by luring its predators, so to speak, back to the scene of their crime.

It is now fashionable among most American regions, states and cities to hunt up new business abroad, an endeavour Pittsburgh has been pursuing for more than a dozen years, well ahead of most of its competition.

But then, it has needed to face the demise of its heavy industries far longer than most Americans cared to admit. Henry W. Stewart III, former city economist and now a broker with Cushman & Wakefield, a real-estate firm, traces the city's recognition of the need to diversify and lessen its reliance on coal and steel back to the Depression.

Looking out his 33-storey office at the clear view past the apex of the city's "golden triangle" to the green mountains and blue rivers beyond, he says the city is "the product of 40 years of trying."

Though the initial efforts were concentrated on "clearing the land and cleaning the air," they were a key first step to the realisation of a goal to diversify and attract foreign business to the city and region. The unusual coalition of a Democratic mayor and Republican businessmen, which embarked on cleaning up the city after the Second World War, is popularly considered to be comprised of members of the exclusive Duquesne Club in downtown Pittsburgh.

In fact, the real motivating force is the Allegheny Conference on Community Development, a group of 24, consisting of the chairmen of the city's major corporations and the presidents of Carnegie-Mellon and University of Pittsburgh.

In fact, the real motivating force is the Allegheny Conference on Community Development, a group of 24, consisting of tha chairmen of the city's major corporations and the presidents of Carnegie-Mellon and University of Pittsburgh.

A self-perpetuating body that holds monthly meetings which the members must attend personally (and not send a stand-in), the Conference was founded in 1943, when, as its executive director Robert B. Pease now says "the Second World War was turning the corner and we could look forward to the period beyond."

After embarking on a public-private downtown renovation project known as Renaissance 1, the conference looked to lure more businesses to Pittsburg, first with the Regional Industrial Development Corporation *(RIDC) which was founded in* 1957.

The specific goal of attracting foreign businesses to Pittsburg was taken np with the founding in 1972 of the Penn's Southwest Association. Set up, as Mr Pease notes, "to market tha nine area counties to the world." Penn's Southwest got off to a rousing start by convincing Volkeswagen to take an abandoned 43-acre factory site, one hour east of Pittsburgh as its US manufacturing base.

From that beginning, Penn's Southwest has attracted 245 *companies and 28,000 jobs* to Pittsburgh in the past ten years. With a $750,000 annual budget and offices in Germany and Japan as well as Washington and California, Penn's Southwest attracted 12 foreign companies to Pittsburgh in 1985, along with 17 domestic ones, creating e total of 1,482 jobs for the year with a payroll of *$33.3m occupying 848,922 sq ft* of space.

The initial success in Germany has made it e prime area of activity, with Krupp steel and Bayer chemicals recently setting up their American headquarters in Pittsburgh.

For Bayer, the move to Pittsburgh has become a whole-hearted commitment on the part of the American CEO, Kourad M. Weis, who became a US citizen and Pittsburgh booster as chairman of the Economic Development Committee of the Allaghany Conference.

RIDC, which is run by an architect, Brooks Robinson, plays an active role in attracting and helping new companies settle in Pittsburgh. It will find appropriate space, have architects design a building to fit the client's specifications and put a financing pscksge together.

David Owen

A leading centre of scientific research

FOLLOWING THE example of Route 128 in Boston and the rest of New England, any area suffering from a decline in heavy and old industries immediately assumes it is ripe for development as a high-technology centre. Pittsburgh would be just another high-tech aspirant if it were not for its educational facilities, starting with Carnegie-Mellon University, where it is claimed artificial intelligence (AI) was originated.

One of the four universities with AI research supported by the Advanced Research Projects Agency of the Defence Department, Carnegie-Mellon took the lead in AI in 1956 when, at the now-famous Dartmouth Summer Research Project on Artificial Intelligence, Herbert Simon and Allen Newell of Carnegie-Mellon described their Logic Theorist. It was an information-processing model that could prove theorems in Bertrand Russell and Alfred North Whitehead's Principia Mathematica.

Though Simon and Newell's achievement was not universally recognised immediately, the two researchers themselves referred to their "thinking machine" which they classed in the realm of complex information-processing out of distaste for the name "artificial intelligence."

Work done 30 years ago would hardly seem pertitent to an academic community today, but for a long time, AI remained a closed arena with its Defence Department support and exotic reputation that classed Carnegie-Mellon in a rarefied category with Massachusetts Institute of Technology, Stanford and Stanford Research Institute.

AI has also allowed Carnegie-Mellon to fashion its own future around its strengths in computers, programming and robotics. University president Dr Richard M. Cyert believes that "Carnegie-Mellon is too small to specialise in everything and so we want it to be the best in what it does."

AI has allowed the university to aspire to the top ranks in its fields, which, not surprisingly remain in robotics, engineering and computers.

In 1981, Carnegie-Mellon contemplated wiring the whole campus on a single computer network as a means of upgrading education to reach out to students, with interactive facilities available anywhere on campus. In 1982, Dr Cyert recruited IBM to work with the university's researchers in the Information Technology Centre, which has now installed the 10,000-plug Andrew network.

Having started out as Carnegie Tech, an institute of technology rather than a university (akin to a polytechnic), Carnegie-Mellon did not have a degree programme in English studies until 1968.

Wanting champion sports teams, as well as academics, Cyert wondered for an English curriculum, "how could we be the best at that?" He commissioned a study that came up with the idea of teaching English through rhetoric, using cognitive psychology (one of the bases of AI) to gauge the impact of communication as much as its expression.

After five years, the rhetoric programme was recently judged one of the two best English programmes in the country.

The university's business school, which not surprisingly Dr Cyert headed before becoming university president, shares the same philosophy of taking advantage of strengths. Drs Simon and Newell were business-school teachers when they started investigating AI, which, in its early days, was taught by Herb Simon, now a Nobel laureate and still a Carnegie-Mellon business school professor, as "Mathematical Models in the Social Sciences."

Dr Elizabeth E. Bailey, the present dean of the business school, notes that Carnegie-Mellon has "the most quantitative MBA programme in the country. Eighty per cent of the courses are slanted toward making a person at ease with quantitative manipulation, statistics and software packages."

The business school also emphasises putting research into practice, with professors often adding new courses to the curriculum to reflect their current interests. Gerald Meyers, former chairman of American Motors, conducts a course in crisis management that has included the chairmen of Bendix and Union Carbide supervising student simulation of takeover and the Bhopal crises respectively.

The practical bent of the Cyert administration extends to encouraging private businesses from academic research. The Information Technology Centre, which developed the Andrew campus network (named for the institution's founders, Carnegia and Mellon), is expected to continue to be supported by IBM and other companies in privately-funded research.

Carnegie-Mellon and the University of Pittsburgh, the other major university in town, have a number of joint projects, including a research park that is being set up on a 50-ecre riverside site that was once the Jones & Laughlin steel mill.

The centre, to be run by the non-profit Regional Industrial Development Corporation, will provide subsidised space for academic researchers to turn their work to profit-making ventures. But, once profitable, the tenants are supposed to move out.

Carnegie-Mellon also initiated a "super-computer centre" with Pitt and Westinghouse, funded by the National Science Foundation.

Originally, Pittsburgh was not designated as one of the four supercomputer centres, but Dr Cyer managed to get the donation of an old supercomputer, which he traded in for a larger one, ultimately with $40m of support from tha National Science Foundation.

Frank Lipsius

Terry Kirk

● The Cathedral of Learning at Pittsburgh University. A hundred years after the city became the centre of the American industrial revolution, Pittsburgh is working hard to attract more businesses that will help to make the transition to a post-industrial service economy

The home of 300 high technology companies

IT MAY not be Silicon Valley or Boston's Route 128, but high tech companies now provide over 40,000 jobs in the Pittsburgh area. That's more than the traditional metals related industry.

Furthermore, the sector's positive trend looks set to continue. Over the last three years, the employment growth of the region's high tech companies has increased by 25 per cent.

Pittsburgh's high tech community, which now numbers well over 300 companies, is fairly evenly split between manufacturing and service industries. A recent University of Pittsburgh study found that 58 per cent of the companies surveyed fell into the manufacturing category, with 42 per cent in services.

An earlier High Technology Council survey pinpointed software and industry automation (patricularly rubotics) as the region's predominant high tech ectivity. Significant pockets of interest were also found to exist in electronics components, advanced materials, energy, biomedical applications and telecommunications—a strong indication that the area's high tech expertise is broader based than is sometimes imagined.

The region's specialities reflect the main areas of expertise of the city's two major universities widely regarded as the dual lynch pins of the high tecb boom. Carnegie-Mellon is considered a leading centre of eoftware and robotics technology, while the University of Pittsburgh has established its reputation above ell in the biomedical field.

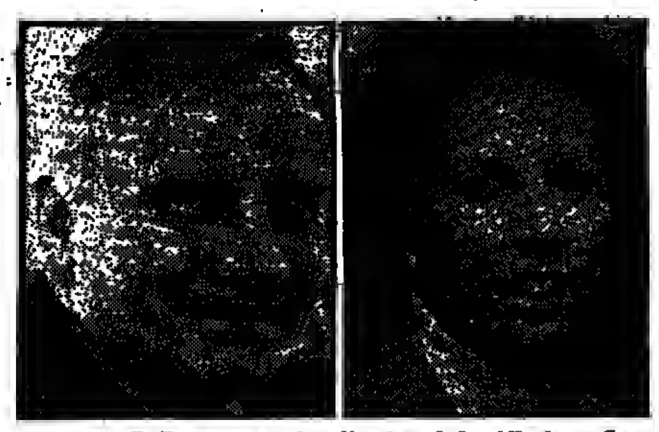
The success with which ideas developed in university laboretories have quickly been tapped for their commercial potential is a tribute not only to the improving Pittsburgh small husiness support and venture capital set-up, but also to the state'e Ben Franklyn partnership programme, launched early in 1983. Offering to pay up to half the cost of acceptable high tech projects advanced by entrepreneurs, the partnership boasts that it bas now helped 244 new firms to get started, another 175 to expand and 95 more to stay in Pennsylvania. The $50m in state funds contributed to the programme has ettracted neerly $170m in private investment.

Tbe atatus of software and artificial intelligence as the city's principal high tech activity will probably be confirmed following the Pentsgon's decision last year to locate e $103m Software Engineering Institute on the Carnegie-Mellon campus.

High technology is nevertheless, not e newcomer to Pittsburgh, although the city missed out on the electronic hardware bonanza of the 1960s and 1970s. A bandful of companies were established as long es 20 years ago and have grown into significant regional employers in their own right. Perhaps the biggest is Contraves Goerz, which started life as e telescope manufacturer in 1964. These days, the firm specialises rather in highly eccurate, computer controller measuring instruments and employs approximately 1,000 people.

Other major Pittsburgh based firms such as PPG, Kennametal, USX and Westinghouse ere prominent on the leading edge of materials related research. Some may ultimately baulk et the commitment needed to start e degree of high tech led reiodustrialisation in the region. But, as the Pittsburgh Post-Gazette trumpeted in a recent leader, the idee that, "in an age when bigh technology can marry beavy metal, it is a mistake to write off the ateel industry," eppears slowly to be gaining credence.

David Owen



● Robert B. Pease, executive director of the Allegheny Conference on Community Development, and Carol Monaghan, director of economic development with ACCD

Painful time for steelmen

IT IS certainly not all good news in Pittsburgh—ask the United Steelworkers of America and its unemployed members who live along the Monongahela valley.

The valley communities and other isolated settlements once depended for much of their livelihoods on the steel industry. Now, such locations as Aliquippa on the Ohio are rather sad townships these days.

The recent strikes at the remaining functioning sites, owned by the steels division of USX (formerly United States Steel) has added to the misery. Homestead, Braddock and McKeesport are probably as distressed as most of the steel communities in Europe which have suffered similar fates.

Tha rotting buildings of the shuttered Mesta Machine Tool Company, which once hoasted the largest foundry in tha world, is a depressing site.

A doctoral thesis by Ray Milke et the University of Pittsburgh on the effects of stress, suffered by unemployed former steelworkers, and which used a sample of 1,000 ex-steelworkers from the union'e local 1256 in Duquesne, proves the point. Among the total 43 per cent response sample, people reported a deterioration in their health.

Three-quarters of those responding had experienced depression, with alcohol consumption rising among a third. Many said they found it difficult to complete tasks which required concentration and energy. Many said they were frequently irritable and had diminished feelings of self-satisfaction since becoming unemployed

Mr Victor Sarni, chief executive officer of glass company, PPG, which has its corporate headquarters in Pittsburgh, says it has proved very difficult to absorb redundant steelworkers back into the economy. The union tends to put this in slightly more robust terms and has been particularly upset at the way local sheriffs have exercised their powers by taking over unemployed workers' homes when they fell into mortgage debt.

Some of the younger former steelworkers have taken advantage of re-training programmes. One of the Jones and Laughlin Steel Corporation plants, only a few miles from Pittsburgh's centre, is being cleared to make way for small, possibly high tech businesses, but the direct help this will bring to ex-steelmen is doubtful.

Tom Foerster, chairman of the Board of Commissioners for Allegheny County, says new legislation is being prepared to create a new development vehicle—the Mon-Ohio Commission.

"It will have the power to issue bonds and rip down buildings," he says.

Meanwhile, unemployment committees are working hard in the Mon valley and in Beaver county where LTV's Aliquippa plant (where employment is down to a few hundred from 15,000), was once the hub of tha local economy.

The committees say one positive development that has come out of all this misery is a less parochial community outlook and a recognition that jobs must be sought elsewhere in the greater Pittsburgh area.

The Milke report, written two years ago, showed however, that at least the redundant workers tended to depend most of all on family and close friends, rather than official schemes to assist the unemployed.

Nick Garnett

UK COMPANY NEWS

ICI's record third-quarter

BY TONY JACKSON

IMPERIAL CHEMICAL INDUSTRIES cheered the market yesterday by producing the best set of third quarter figures in the group's history. Pre-tax profits at £256m—up 41 per cent from last year's £182m—were better than forecast, and the shares closed 18p up £11.

The increase was achieved despite problems in two areas, oil and agriculture. As expected, oil sales continued to decline, as a result of dwindling production and lower prices, with turnover in the quarter down by almost two thirds from last year's £185m to £68m.

The continuing crisis in world agriculture had a severe effect on both fertilisers and agrochemicals. In the latest quarter, fertilisers and related products — chiefly ammonia — slipped into loss. It is now likely that the division will at best break even for the year as a whole, compared with profits last year of £99m and £136m the year before.

Agrochemicals remained barely profitable after losses estimated at *around £10m* on the termination of a sales agreement with the oil group Chevron on US sales of ICI's weed-*killer paraquat*. ICI said "since the arrangement was unsatisfactory to both of us, we had to take the stock back off their hands. These were profits we had already booked, and we have had to write them back until such time as we resell the stock ourselves."

In other divisions, however, the group enjoyed the benefits of the lower oil price and sterling's weakness against the D-mark. In petrochemicals and plastics, ICI said, prices had weakened slightly, but cheaper feedstock prices had meant that margins were still better than last year.

There were also strong improvements in fibres, colours and polyurethanes—previously troubled areas where the group has undertaken heavy rationalisation in recent years. The group said that colours had been improving throughout the year, and that fibres had seen an encouraging rise in volume demand, helped by currency gains and lower energy prices.

The pharmaceuticals division showed improved profits, both in the quarter and over the nine months. However, ICI said, the rate of increase had been slower than in the previous year, principally because of currency weakness in the US, a particularly important market for the division.

Group turnover for the nine months was 8 per cent lower at £7,443m, but sales volume was up by 6 per cent, split equally between acquisitions and existing businesses.

See Lex

Lep falls but expects improved second half

Lep Group, the international freight forwarder, yesterday revealed that its profits for the first six months of 1986 had fallen to £3.1m, a decline of 22 per cent on last time's £3.98m.

The directors said that mainly as a result of the poor second quarter, freight forwarding profits had disappointed.

However, with promising results for the last few months indications were that the group should have a much-improved second six months.

Traditionally, the last four *months of* the year are the busiest from the point of view of the group's freight forwarding companies, so the directors were unable to forecast, with any accuracy, the likely outcome for the year as a whole.

Meanwhile, the interim dividend is being stepped up from an adjusted 0.75p to 1p net on the enlarged share capital to reduce disparity. Earnings for the half year fell by 0.5p to 2.1p.

Pre-tax profits were struck after deducting interest charges of £1.59m (£1.29m) and adding in a £1.77m (£1.21m) share of the results of the associates.

Tax took £1.4m (£2.09m) and minorities £11,000 (£12,000). Attributable profits worked through at £1.68m, against a previous £1.91m, before taking account of an extraordinary provision of £189,000 (£41,000).

In Germany, profits were considerably down on last year because a large part of the income of the Lassen freight forwarding subsidiary is received in US dollars and the rapid decline in that currency compared with the Deutschemark reduced gross margins substantially.

Action is being taken to enable this to be corrected.

Results from the UK and Austria were also below expec*tations. In the UK, steps have* been taken to reduce costs, and good progress is being made.

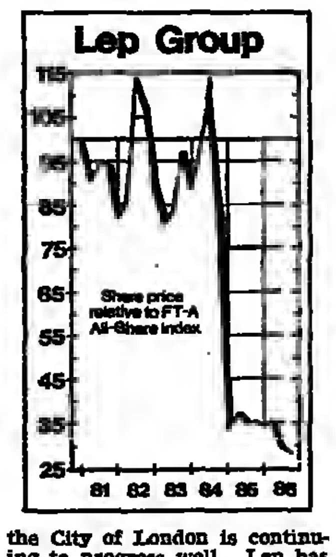
In Austria, management reorganisation undertaken last year to produce a necessary increase in gross margins to offset substantially increased costs is taking longer than planned.

However, good increases are now being achieved in gross margins.

Elsewhere, Lep continued to make good progress in most parts of the world, particularly in the Far East, the US and Schenkers in the US where extensive reorganisation undertaken over the past two years has returned the company to profitability.

Lep House, St Paul's Vista, in the City of London is continuing to progress well. Lep has now finalised funding of the development by raising a loan of £40m for a period of up to eight years.

In the last few weeks, the group has completed the acquisition of a substantial freight forwarder in France, having agreed terms early this year.



It has also acquired businesses in UK carried on by the DPS Group which are mainly in the freight forwarding field and specialise in Southern African markets.

● comment

One might not know it from the share price — down just 1p at 119p — but there is no avoiding the fact that these were disappointing figures from LEP. Three years of fire-fighting from the new chairman has not only left some of the embers still glowing — in Austria's case, quite vigorously — but has also failed to prevent new flare-ups elsewhere, notably in Germany. For the current year it seems likely that shareholders can look forward to only a modest improvement beyond last year's £9m to perhaps £9.5m, putting the shares on a prospective p/e ratio of nearly 20. The logic for the diversification into bearings and power transmission distribution is not immediately apparent and it is probably more the property angle which is buoying the price, but with the St Paul's Vista development still a long way off and Chiswick yet to win planning permission, a price/earnings multiple of this order looks demanding.

Portsmouth and Sunderland static

Portsmouth and Sunderland Newspapers announced interim pre-tax profits, for the six months to September 29, up only 6.2 per cent to £788,000 (£741,000) pegged-back by development costs at Croydon Cable TV.

Trading profits showed a more healthy increase to £949,000 (£802,000) because of a successful programme of investment in production facilities which has enabled the group to win contracts to print the Guardian and the Independent. Negotiations are under way on a contract to print the Observer from early next year.

P and S is now giving priority to improving efficiency in its publishing division and plans capital expenditure of £3.3m this year, of which £3m fell in the first half. Following agreements with the unions, the company now has direct editorial input at Portsmouth, Sunderland and Hartlepool.

After expensive relaunches in the second half of last year, the Croydon Advertiser Group produced a stronger trading performance and that should flow through into the second-half figures.

The cost of Croydon Cable TV's development, in which P and S has a 20 per cent stake, was taken as an exceptional item of £160,000 (£61,000). Initially, P and S sank £500,000 into the scheme and has committed in principle to invest a further £500,000. The projected breakeven point is three years away.

The taxation charge was £336,000 (£263,000) and there were extraordinary items of £84,000 (£22,000) relating to redundancy payments of £103,000, offset by receipts of £19,000 from the sale of goodwill. Earnings per share were 5.4 per cent higher at 3.9p (3.7p) and the interim dividend is being raised to 1.1p (1.0p). The shares closed up 5p at 156p.

OT&T should hit £37m, says chairman

By Terry Povey

Ocean Transport & Trading yesterday forecast that pre-tax profits for 1986 would rise by a sixth to reach £37m, and that the total dividend paid will be 9p a share. OT&T is continuing to urge shareholders to reject a bid from Mr Ron Brierley that values the company at £258m.

Mr Bill Menzies-Wilson, the chairman of OT&T, has told shareholders in a letter that the New Zealand entrepreneur's bid "is clearly destined to fail" at its current 225p-a-share level, and that "IEP (UK) must be contemplating an increase in its offer in the next few days." Since the bid, OT&T's share price has stayed above the offer level, closing last night up 3½p at 246½p.

IEP (UK), one of Mr Brierley's investment vehicles, has until Sunday, November 9 to revise the terms of its offer. Yesterday Schroders, which is advising IEP (UK), said that there would be no immediate response to this OT&T defence document.

Before the bid, Mr Brierley owned 4.8 per cent of the shipping, freight forwarding and fuel distribution company's shares and has subsequently received acceptances from holders of a further 0.2 per cent.

The pre-tax forecast compares with profits of £31.9m in 1985, which were struck after £5.6m of exceptional losses on ship sales, and included an £3m contribution from associate, OCL, the container shipping line. OT&T sold its stake in OCL in May. In 1986, earnings per share are expected to reach 20p, against 17.5p last year.

A 50 per cent increase in the final dividend to 6.1p (previously 3.95p) will bring the total payout for this year to 9p—thus restoring the dividend total per share to the 1981 level.

According to Mr Menzies-Wilson, it is the strong performance of the land services division, where pre-tax profits are expected to be £22m this year against £13.9m in 1985, that is leading the forecast growth.

Whereas marine services will show a steady result compared with 1985, loss elimination on the deep-water shipping side will also assist profits, said the chairman.

OT&T also expects some £2m in rental income this year from a new development in London's Docklands; a £750,000 contribution to lower costs from a holiday on the group's main pension fund, and the benefits of the interest income on the £60m net proceeds of the OCL sale from May 30 onwards.

Reuter/Instinet

Reuters, the international business information group, has agreed to give Instinet Corporation more time to consider its $97m (£68m) takeover bid.

Instinet, which has developed an electronic share dealing system, had been given until yesterday to consider Reuters' offer of $7.25 a share. Reuters has now agreed to meet the Instinet board early next week to discuss the proposal.

Redland nears £56m and confident about outlook

Redland, the building materials group which has expanded rapidly in the US in recent weeks, checked into the City yesterday with half yearly profits bang in line with analysts' expectations.

Although turnover for the six months to September 27 slipped by 3 per cent to £583m profits at the pre-tax level improved to £55.6m, an increase of 10 per cent over last time's £50.7m.

Furthermore, a lower tax charge left earnings 2.3p ahead at 16.5p and shareholders are to benefit via an increased interim dividend of 4.325p net, up from a previous 3.925p.

The three UK construction material divisions all reported higher profits as a result of increased demand.

In Germany, bad weather at the start of the calendar year caused some loss of volume for the first half. There was a consequent fall in the profit of Braas & Co as reported in Deutschemarks, but which translated into an increase when expressed in sterling, because of the 17 per cent fall in the value of sterling against the Deutschemark.

In the US, profits of Redland Worth Corporation advanced substantially.

The profit of Monier was in line with the same period last year.

The directors, headed by Sir Colin Corness, the chairman, said that trading conditions were expected to remain favourable in the UK and, subject to weather conditions, profits should continue to grow in the second half.

They added that in West Germany, volumes had now recovered, and Braas & Co should earn higher profits in the current trading period. Redland Worth Corporation continued to benefit from a high level of highway activity.

While Monier experienced a downturn in its new housing construction market in Australia, its US activities continued to trade strongly.

The board views the prospects for progress during the remainder of this year and also for next year with confidence.

Some £274m (£271m) of turnover derived from UK operations — the decline in group turnover was mainly attributable to a reduction in sales value in low margin fuel distribution businesses.

Operating profits improved by £5m to £61.8m with the UK take up by £2.9m at £35.7m and that of the overseas subsidiaries by £2.6m at £15.5m. The associates' share fell from £11.1m to £10.6m.

Interest was little changed at £6.2m (£6.1m). Net profits emerged at £38.9m, compared with £33.3m, after tax of £16.7m, down from £17.5m. Minorities accounted for £3.3m (£2.9m).

The group's latest acquisition was the £220m purchase of Maryland-based Genstar Stone Products. To help pay for the company shareholders were called on for £188m through a one-for-four rights.

The results of Genstar will be consolidated from the date of acquisition to the end of December 1986. The impact of the acquisition on earnings per share in the year to March 1987 will not be significant.

Yesterday, Redland's shares rose by 13p to close at 393p.

See Lex

Brake Brother's market debut

BY RICHARD TOMKINS

Brake Brothers, Britain's biggest independent supplier of frozen foods to the catering industry, comes to the stock market today throuhg an offer for sale which will make multi-millionaires of its founders.

Some 11m shares, or 25 per cent of the company's enlarged equity, are being sold by sponsors Barclays de Zoete Wedd at 125p a share. Of these, some 7m are being sold by the three Brake brothers and theri wives, *so raising just under £3m* in cash for each couple.

In addition, the three brothers—William, Frank and Peter—will each retain a 25 per cent stake in a company whose market capitalisation at the offer price will be £55m.

The Brake brothers founded their business in 1958. At first it supplied poultry to caterers, but the distribution of frozen foods was added as a sideline in 1963 and gradually supplanted poultry in importance.

The company now has a network of 18 cold storage depots in the UK from which it supplies a wide range of frozen foods to over 35,000 hotels, restaurants, pubs, factories, hospitals and schools. More than 70 per cent of sales by value are under Brake's own label.

In the pas tfive years, pre-tax profits have grown from £1.2m to £2.7m on turnover up from £21.5m to £57.8m, and the company is forecasting profits of £5.4m for the current year.

The sudden rise in 1986 profits is explained by Brake's expansion programme. The number of depots rose from eight to 15 in 1984-85, and start-up costs suppressed profits growth in those two years. In the current year, the benefits have started to show through.

Brake Brothers comes to the market on a prospective price/earnings multiple of 13.4 and a dividend yield of 2.5 per cent. It believes there is scope for strong growth in sales, both from existing depots and new ones yet to come.

The flotation will raise about £4.3m for the company after expenses, most of which will go towards the opening of depots this year in Devon, Sussex and Scotland. There will also be improvements to Brake's prepared food operations at Lenham, an extension of the head office at Ashford, and a new vegetable packing operation at Hemsworth.

Brokers to the issue are Phillips and Drew.

● comment

Clearly there is something *different about Brake Brothers*: no ordinary company in this highly fragmented market climbs from the status of small family business to the point where it vies for pole position with offshoots of Hanson and United Biscuits. But can growth at this pace continue? Not for ever, certainly. However, with a total market of £900m and Brake's sales last year at £58m, there would seem to be considerable scope left. If there is a reservation, it would have to be that 1987 profits will have to absorb the start-up costs of threenew depots—two of them far-flung—and the temporary closure of Swindon. The proceeds of the flotation and the new capacity at Yorkshire will compensate, but at the bottom line the restoration of a more *normal tax charge* and *dilution* from the share issue could restrain earnings growth to unspectacular levels. That said, the price looks undemanding next to the sector or wider market, and the relatively small issue should have little difficulty in finding buyers.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Airflow Stream ......int	0.25	Jan 5	0.25	—	1.5
Henry Boot ....int	3	Nov 19	1	—	6
H. Clarkson ....int	†2	—	2	—	4.75
Coates Bros ....int	‖1.7	—	1.4	—	4.6
Ellis & Goldstein ...int	0.9	—	0.85	—	2.45
Harris Queensway int	†1.75	Jan 9	1.4¶	—	5¶
Lep Group ....int	1	Jan 9	0.75*	—	2.75*
Piccadilly Radio	‡1.13	Apr 1	1.13	2	2
Polytechnic Elec	‡nil	—	3.77	nil	3.77
Redland ....int	4.33	Jan 28	3.93	—	11.55
J. Smart	3.45	—	3.15	4.75	4.35
TR Austr Inv	**1.77	—	1.3	2.7	2.15

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock § Unquoted stock. ¶ For 13 months. ‖ On ordinary and "A" shares. ** Includes 0.4p special non-recurring payment.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Arbuthnot Yen Bond Fund, Boosey and Hawkes, Cambium Venture Capital, Craig and Rose, Eastern Produce, Henara, Hunting Group, Lonco, New England Properties, Rea Brothers, Sunleigh Electronics, TR Industrial and General Trust.

Finals: William Boulton, Celtic Haven, Floyd Oil Participations, Sheffield Brick.

FUTURE DATES

Interims—

Beecham	Nov 20
British-Borneo Petroleum Syndicate	Nov 8
Buckley's Brewery	Nov 13
Electric and General Inv	Dec 19
Goldsmiths	Nov 11
Gieves	Nov 8
Lewmar	Nov 19
MK Electric	Nov 18
New Throgmorton Tst. (1983)	Nov 10
Windsmoor	Nov 6
Woodchester Investments	Nov 8
Finals—	
Concentric	Nov 11
M.M.T. Computing	Nov 17
New Court Trust	Nov 11
North Atlantic Securities	Nov 4
Scottish Cities Invest. Trust	Nov 18

Queensway mid-term profits up 10% at £14m

BY MIKE SMITH

Harris Queensway, the retail group whose purchases in the past four months have included Times Furnishing, Home Charm and Hamleys, yesterday announced pre-tax profits, excluding property transactions, of £14.22m for the first half. This represented a 10 per cent rise on the £13m achieved last time.

An unusually high level of property sales, however, added another £6.23m (£1m last time) to the pre-tax total, making £20.45m (£14m) in all.

Sir Philip Harris, chairman, said the figure would have been £1m higher had the half-year ended in June, as it did in 1985, instead of July. This was because January was a busier trading period than July.

In the current year, said Sir Philip, trading was improving and the company expects turnover of £630m against £406m in the 13 months to last January. Next year it is looking for £1bn, although that figure will include VAT.

Sir Philip said there were no plans for any further acquisition but he did not rule one out. "If the right one came along we would have to look at it."

The purchases of the past four months did not show up in yesterday's figures but Sir Philip said they had all traded well since their acquisition.

In its first two months of trading under Harris Queensway, Hamleys increased turnover 40 per cent on the comparative period last year. Next year the four Hamleys outlets would be expanded to 11 and the company hoped for 40 in five years with a turnover of £120m.

Both Times Furnishing and Home Charm were trading profitably. Harris planned to revamp all the Home Charm stores by March.

In the six months to July 27, the electrical division put in the best performance, doubling turnover to £48m. During the period 30 Electric Suprema departments were refurbished in Debenhams and 21 Ultimata outlets were opened in April and May.

In the furniture division, Queensway, the out-of-town section, increased sales from £67m to £73m but turnover in the high street stores fell from £32m to £27m, partly because of a reduction in the number of outlets.

Carpet sales were virtually static at £46.5m against £46.3m but Sir Philip said Harris Queensway had retained its market share in the sector.

Group turnover in the six months was £233.05m (£191.83m) and interest payments were £2.32m (£1.62m). After tax of £5.25m (£5.75m) and minorities of £287,000 (£61,000), attributable profits were £14.91m (£8.32m). This produced stated earnings per share (including the contribution from property) of 9.48p (5.91p) and the interim dividend was raised from 1.4p to 1.75p.

Sir Philip said that following the sale of consumer debt this month, the company had cash in hand of £40m.

See Lex

Lower interest helps Ellis & Goldstein profits to £1.53m

BY PHILIP COGGAN

Ellis & Goldstein (Holdings), the clothing manufacturer and retailer, increased interim pre-tax profits by 14 per cent to £1.53m against £1.34m in the six months to August 2, 1986. But much of the profits increase was because of a fall in the interest charge, caused by lower levels of stocking.

Retail sales were virtually unchanged at £23m (23.1m) after difficult trading periods in the spring and summer. Reorganisation at Debenhams caused problems for the company's in-store outlets and Eastex and Dereta were affected by the development costs of the new Jenni Barnes range.

The Dash chain of stores now has five franchise outlets with a sixth, in Leeds, opening next week. Franchising is marked as a major area of expansion for the group, with plans for 20 new shops a year.

Wholesale turnover was 14.8 per cent higher at £13.6m (£11.9m) thanks largely to the increase in sales of own-label brands to multiple stores like BHS, C & A and Marks and Spencer.

After a tax charge of £561,000 (£566,000), earnings per share were 24 per cent higher at 3.32p (2.67p) and the interim dividend is being increased to 0.9p (0.85p).

● **comment**

Unexciting figures from Ellis and Goldstein indicating that a period of consolidation is occurring as the group starts to build up its franchising outlets, its Jenni Barnes range and struggles through the Debenhams refurbishment. Stocks were run down too far in the first half so the second six months are unlikely to benefit to the same extent from the fall in interest charges. However, the Christmas rush is about to begin and Ellis and Goldstein could top £4.5m pre-tax for the full year. At 81½p, the shares are on a prospective p/e of only 8 and although the immediate prospects are unexciting, in the long term the high retail content of Ellis' profits would seem to offer hope of a positive re-rating.

Bestwood has 19% of Buckley's

BY NIKKI TAIT

Bestwood, the financial and property services company headed by Mr Tony Cole, continues to increase its stake in Llanelli-based Buckley's Brewery. Yesterday it announced the purchase of a further 4.28 per cent holding, taking its total stake to 19.1 per cent.

Mr Colin Thomas, managing director of Buckley's, said the company had no contact with Mr Cole, but added: "We are not unduly concerned about the stake."

According to Mr Cole, the shares represent "a very good investment" and were bought through the market. He added that he expects to contact Buckley's within the next few days. Last month, Bestwood built up a substantial stake in Belhaven Brewery, only to sell on to merchant bankers, Henry Ansbacher, when former Arthur Bell chairman Mr Raymond Miquel moved in to take control of the business.

Buckley's shares rose another 2½p to a new high of 129p on the news, after a 6p rise on Wednesday, and a number of major shareholders are believed to have sold recently. Both the National Coal Board Pension Fund—which held 4.8 per cent—and the local private company, Carswell Properties, from whom Buckley's purchased two properties in exchange for shares in January, are thought to have reduced their holdings. Carswell previously held an 8.6 per cent stake.

However, any prospective bidder will still face a combined 22 per cent stake held by Whitbread and Whitbread Investment Company. In addition, Britannic Assurance, with around 11 per cent, and Scottish Amicable with another 4.7 per cent, remain shareholders.

Saville Gordon confident of further rise

At yesterday's annual general meeting of J. Saville Gordon, the chairman, Mr John D. Saville, told shareholders that early in the year the company had turned its holding in Duport into cash which had substantially reduced borrowings and this would have a greater effect on operations in the second half.

He reported closures of the Bishop Street works, because of the downturn in non ferrous scrap, and also of the Barford Street premises of its machinery distribution company.

But Mr Saville said that the property division would undoubtedly have another record year and that directors were quite excited by the opportunities available now and in the future, and are confident of a further improvement in the current year.

Pearl Assurance to restructure around new holding company

BY NICK BUNKER

Pearl Assurance, the UK's fifth largest quoted life office, is to follow other big insurance companies by restructuring itself next year around a new holding company, Pearl Group.

Mr Einion Holland, Pearl's chairman, said the move was partly a "tidying-up operation." But it would also give the company more flexibility to take advantage of opportunities to diversify within the financial services field, he said.

This is because the 1982 Insurance Companies Act limits insurance companies to operating in insurance-related areas. Pearl already has unit trust and unit-linked life assurance subsidiaries, which arguably fall into a grey area in the legislation.

The new Pearl Group would maintain control of Pearl Assurance and its subsidiaries, but would not be bound by the legal constraints of the 1982 Act, Mr Holland said.

Mr Holland said that the new structure, due to be implemented from January 1, did not mean that Pearl was planning an immediate mova such as buying estate agencies. But Pearl had felt that with intensified competition in financial aervices, it would have to give customers additional facilities.

Stockbrokers' analysts welcomed the move yesterday, pointing out that other big insurers had similarly restructured themselves in recent years. The best-known case was the Prudential Corporation's creation of a new holding company structure in 1978.

Pearl's decision comes as part of a gradual and limited diversification over the last decade away from conventional life and general insurance business. The most recent signs of this have been its new mortgage marketing ties with the Midland Bank and the Alliance and Leicester Building Society, for whom it expects to originate £300m in home loans in 1987.

The restructuring is subject to approval by the High Court and by a shareholders' meeting set for November 24. Pearl is also taking the opportunity to make a share split which it believes will improve the marketability of its shares to small investors.

It has proposed that Pearl Assurance ordinary shareholders would receive five 5p shares in the Pearl Group for each ordinary 5p share of Pearl Assurance. Preference shareholders will recelve one 6.25 per cent preference share of £1 of Pearl Group for each existing 8 per cent ahare of £1 of Pearl Assurance.

Glaxo chief's £0.24m

Mr Paul Girolami, chairman of Glaxo Holdings, the pharmaceuticals group, received total payments of £243,814 in the year to June 30, according to the annual report published today.

Mr Girolami succeeded Sir Austin Bide as chairman in December 1985 but continued to hold the position of chief executive until February this year.

As deputy chairman and chief executive, Mr Girolami was the highest paid director in the previous financial year with total remuneration of £182,213.

Exco pays £16m for Eurobond broker

By Charles Batchelor

Exco International, the financial services group, is paying £22m (£16m cash) for the Eurobond broking business of Purcell Graham, a New York-based bond broker.

Exco retains a £330m cash stockpile from the sale last year of its 52 per cent stake in Telerate, the US information group. It has been the subject of bid speculation over the past year and been criticised for holding back from a major acquisition.

This deal takes Exco into the Eurobond broking area for the first time. It is buying Purcell's London and Hong Kong based activities which employ about 80 people.

Purcell was the first broker in the wholesale Eurobond market when it was set up in 1978. It expanded into Hong Kong earlier this year.

Mr Bill Matthews, Exco's managing director, said: "We have been looking at ways of entering the Eurobond market for at least a year. This is an important new product area for us because the size of Eurobond issues is growing fast.

Exco set up a small Eurobond broking operation as part of Godsell, its money-broking business, four years ago but later closed it down.

Exco believes Purcell is one of the largest Eurobond money brokers so it is buying a large share of the market from Saatchi.

The deal puts Purcell on a price earnings ratio of about seven.

Other leading Eurobond brokers are MKI (bought in March by International City Holdings), Mabon Nugent and Gintel and Guy Butler (both part of MAI).

Mr Tim Smith, managing director of Purcell, and the other executive directors will continue to run the business.

Norton sceptical over McCorquodale buy-out proposal

BY DAVID GOODHART

MR RICHARD HANWELL, chief executive of Norton Opax, yesterday expressed scepticism about the proposed management buy-out at McCorquodale designed to escape Norton's £140m bid.

He said: "We are taking it seriously, but there are so many question marks over it. For example will they get the money while we retain a 13.2 per cent stake?"

Norton still owns or has acceptances for 41 per cent of McCorquodale and is hoping to close the bid on November 7.

However, Mr Robert Maxwell, who had pledged his 10.8 per cent stake in McCorquodale to Norton, yesterday increased the stake to 14.5 per cent and said he would not rule out switching support to the buy-out—which is pitched slightly higher than the Norton bid at 300p a share.

Norton's financial advisers, Samuel Montagu, pointed out that the 26 per cent acceptances from McCorquodale shareholders—including Mr Maxwell—could not be withdrawn unless Norton extends or increases its bid.

It was revealed yesterday that the proposed buy-out would include none of the McCorquodale non-executive directors or the current chairman, Mr John Wood. It is understood that it will be led by Mr John Holloran the current chief executive.

Responding to questions about the 13.2 per cent Norton stake in McCorquodale, Mr Wood said: "I'm not in a position to know what the views of the people financing the buy-out would be.

"But if there's an offer on the table which is accepted by the majority of the shareholders and if Samuel Montague want to hold out that is their decision, but I would have thought they would take their profits."

McCorquodale hopes to release details of the buy-out early next week. A management buy-out as a defence against a bid has been attempted—successfully — once before when Haden escaped from Trafalgar House last year.

Norton Opax closed 7p up at 143p and McCorquodale rose by 17p to 280p.

H. Clarkson improves

Horace Clarkson, the shipping, shipbroking, insurance broking and financial services holding company introduced to the Stock Exchange in June this year, increased pre-tax profits by 26 per cent to £1.52m in the six months to June 30 1986. Turnover was £11.94m against £11.54m.

The tax charge rose 46 per cent to £611,000 (£418,000) and there was a minorities interest credit of £6,000 (£8,000 debit).

The interim dividend is held at 2p on capital increased by the rights issue made in June. Earnings per share were 5.6p (4.8p).

An improvement in the tanker market, an increase in ship values and good results from insurance broking gave the directors encouragement as to the outlook for the balance of the year. The new financial planning subsidiary IFG had a satisfactory start.

UK COMPANY NEWS

Coates Bros rises 13% despite inks downturn

Coates Brothers increased its pre-tax profits by 13 per cent during the first six months of the 1986 year although turnover for the period was virtually static at £96.67m, compared with a previous £96.76m.

The directors said yesterday that geographically, the improvement stemmed almost entirely from the UK and Europe.

They edded that in terms of prodnct, printing inks took the main brunt of depressed trading conditions in south east Asia and Australasia—profits for the division fell from £4.28m to £3.48m.

Resins benefited from lower raw material costs and currency changea and electrographics showed substantial advancea in both sales and profits.

It was pointed out that liquidity was sound and that the group generated a cash surplus during the half year as a consequence of improved margins and strict control of capital expenditure.

The second half to date had generally followed a similar pattern to that of the opening six months.

Pre-tax profits for the first half improved from £5.99m to £6.77m. The tax charge, however, rose by £175,000 to £2.85m and minorities accounted for £14,000 more at £145,000.

The available surplus worked through £595,000 ahead at £3.78m, equal to a 1.47p rise in earnings per share to 9.33p. The interim dividend is being stepped up from 1.4p to 1.7p

A geographical breakdown of turnover and pre-tax profits shows: UK and Europe £57.59m (£53.69m) and £4.14m (£2.92m). Africa £13.03m (£14.69m) and £1.66m (£1.58m), Australasia £11.93m (£12.84m) and £450,000 (£714,000), Asia £5.54m (£6.54m) and £215,000 (£494,000) and US and Caribbean £8.59m (£8.99m) and £311,000 (£276,000).

Overseas earnings were translated using average exchange rates and accordingly, comparative figures have been restated. If profits had been translated at rates prevailing in the same period of 1985 profits for the period under review would have been some £500,000 higher.

● comment

For only the second time in a decade Coates Brothers has been able to report a rise in the overall pre-tax margin. It has been the resin and electrographic businesses in the UK and Europe that have been the main beneficiaries of lower input costs—with the resins and other products area showing a 9.4 per cent pre-tax margin on sales in the half. While the comparable figures for the first half of 1985 were depressed by problems in Sonth Africa and France—hence there is some recovery element in these results—the gain is none the less a very creditable one. For the year £13m could be possible. While this will not be enough of a leap forward to convince that Coates is on the move again — it has been on a profits plateau for several years—it was enough to push tha shara up 2½p to 173½p. Australian Mr John Spalvins, with a 13 per cent stake, appears undecided as to how to tackle the tightly held stock and little movement has taken place since his Adelaide Steamship did its buying in early summer. A forward looking multipla of 9 discounts most of tha adverse possibilities and the downside therefore looks limited.

Furniture hire hits A & M in first half

Pre-tax profits of the USM-quoted A & M Group, which hires furniture, scenery and stage and studio equipment to the communications industry, fell 30 per cent to £322,000 in the six months to July 31, compared with £463,000 in the same period last year.

Turnover fell from £2.25m to £2.15m and the tax charge reduced from £182,000 to £87,000. Earnings per share were 0.49p (0.48p).

Mr Christopher Maclean, chairman, said the results reflected the difficult trading position in the furniture hire sector during the six months but that since July the level of activity in this area increased and trading results improved accordingly.

BBRK, acquired by the company earlier this year, continued to expand and provided a useful contribution to results. The sale of the 14.5 per cent stake in Promotions House for £1.2m produced a surplus of £85,000 which was taken into the accounts as an extraordinary item and applied towards the restructuring of the furniture hire business.

The company hoped to resume growth through organic expansion and strategic aquisitions, Mr Maclean said.

Henry Boot back in the black with £0.74m at midway

Henry Boot and Sons, the civil engineer and property group, reported a pre-tax profit of £740,000 for the half-year to June 30 1986 compared with the loss of £4.9m for the corresponding period of the previous year and a loss of £7.1m for the whole of 1985.

The majority of that loss related to the Kwai Chung container base contract in Hong Kong where the international company was left high and dry following the sacking of the main contractor.

In his statement, Mr E. H. Boot, the chairman, said that the international company had undergone a period of retrenchment and that work on substantial claims progresses.

Operetions had proceeded satisfactorily on the Mass Rapid Transport System in Singapore and had commenced on the Tuen Mun contract in Hong Kong.

Mr Boot said that the satisfactory first half of the year provided reasonable encouragement for the full year. In spite of the intense competition improvement had been achieved in the UK construction activities although a shortage of work was reflected in the Scottish company's order book.

Other companies in the group made progress with the exception of the railway engineering company which had a setback with the decline in British Reil requirements and delays in overseas shipments.

Turnover in the period fell from £85.69m to £67.53m, reflecting the sale of the joinery interests in Jnne. Tax took £72,000 (nil) and earnings per ordinary share worked out at 12.6p (loss 92.4p) before e £1.94m extraordinary item. An interim dividend of 3p (1p) has been declared.

Polytechnic near break even

Extremely disappointing results heve been announced by Polytechnic Electronics for the year to May 31 1986 with pre-tax profits having fallen from £1.19m to just £103,000. There is no dividend compared with 3.77p previously.

The directors said that earnings were expected to remain depressed until after the end of the calendar year 1986. The company expected some recovery in profits commencing in January 1987 with the launch of its new and revised range of navigational products.

The most significant impact on the group's fortunes in the past year was the space shuttle Challenger disaster. The shuttle system is the primary launch vehicle of the 18 US Airforce Global Positioning System (GPS) satellites. Polytechnic was deeply involved in this programme and the shuttle delay has created an approximately 30 months unanticipated delay in major GPS production orders.

The directors said that the company had to make wide-ranging provisions resulting in the most disappointing 12-month figures. All R & D expenditure totalling some £475,000 on the various GPS activities had been written-off against profits, in addition to £352,000 of expenditure on first generation development carried forward from previous periods.

Polytechnic, however, remained fully confident that GPS would present the company with the same tremendous prospects in the future.

Turnover for the past year was up a little at £5.13m (£4.81m); tax took £26,000 (£499,000) and minorities £15,000 (£9,000) leaving stated earnings of 0.7p (7.6p).

The financial year of this USM group is being changed to end-November and the next financial period will be for 18 months.

J. Smart advances

J. Smart & Co (Contractors), building and public works concern, increased its pre-tax profit by £85,000 to £1.36m the year ended July 31 1986. A final dividend of 3.45p is proposed making a total of 4.75p against 4.35p.

Turnover was down from £12.07m to £11.7m. Tax took £441,000 (£482,000) and after a extraordinary credit of £315,000 attributable profits were £1.23m (£794,000). Stated earnings per 10p share rose to 9.12p (7.88p).

Siemens buys Xenotron

BY CHARLES BATCHELOR

Dr Ing Rudolf Hell, part of Siemens, the German electronics group, is paying about £9m for Xenotron Holdings, the privately-owned British manufacturer of text and image processing equipment for the newspaper and print industries.

Xenotron, founded in 1976 with the help of venture capital funds, made a loss of £812,000 in 1985 and had been looking for an association with a more powerful financial backer group with stronger financial backing.

It said it had held discussions with several potential partners before deciding on Hell. Xenotron had turnover of about £20m last year and employs 200 people in the UK, US, Australia, France and Germany.

Hell, which is edvised by J. Henry Schroder Wagg, is acquiring a 90 per cent stake initially to allow a speedy completion of the deal but will buy in the remaining 10 per cent of the shares shortly.

Xenotron, advised by Morgan Grenfell, has abont 130 shareholders. The principal one is Mr Tim Coldwell, the group's founder. He will continue to

Xenotron supplies systems to

work in an advisory capacity.

allow users to combine text and image data to design and manipulate advertisements for newspapers end general printers. It comprises microprocessor-based work stages, text and image processing and a laser diode typesetting unit.

Petrofina gives support to IC Gas in Gulf bid

BY CLAY HARRIS

Petrofina, the Belgian oil group, said yesterday that it reserved the right "to take any measures which may be necessary to protect and safeguard its own interests" in Imperial Continental Gas Association.

IC Gas, owner of the Calor Gas business, holds a 7.2 per cent stake in Petrofina.

Gulf Resources, a US-based energy company controlled by British brothers Mr David Barclay and Mr Frederick Barclay, said last week that it would offer 530p a share for IC Gas, valuing the company at £750m.

Petrofina also said yesterday that it supported the IC Gas board's view that the Gulf Resources bid did not fairly reflect the value of the company's assets and potential.

Despite widespread speculation that Petrofina might emerge as a "white knight" with a counter offer for IC Gas, the Belgian company declined yesterday to amplify its position.

Gul Resources has said that it intended to sell IC Gas's Belgian holdings, which also include stakes in three gas and electric utilities.

IC Gas shares closed yesterday at 566p, up 1p.

Piccadilly Radio sees little change

Piccadilly Radio, of Manchester, saw little change in its profits for the year to September 30 1986. The dividend is held at 2p net per non-voting ordinary via a same-again final of 1.125p.

The radio station maintained its turnover despite a decline in advertising revenue elsewhere in the industry. Group turnover totalled £4.44m (£4.26m) and pre-tax profits £480,000 (£484,000).

Profits were after IBA rentals and Government levy amounting to £583,000 (£560,000).

Pre-extraordinary earnings per non-voting share were 2.83p (2.73p). The company joined the USM in 1984.

Munton Bros turnround to £111,000 profits

Munton Brothers, the clothing manufacturer famous for its Ben Sherman brand shirts and a supplier of men's shirts to Marks and Spencer, announced pre-tax profits of £111,000 for the year to June 30 1986, compared with a pre-tax loss of £1.15m for the previous 14 months. Turnover contracted 2.4 per cent from £12.9m to £12.5m.

The accounts include a deferred tax credit this time of £51,000 and an extraordinary debit of £77,000 (£967,000).

Earnings per share came out at 1p against a loss of 7.3p in the 14 months to June 30 1985.

The directors said a major factor in the return to profitability was improved manufacturing efficiencies, combined with greater financial control, as shown by the doubling of gross profit margins to 20 per cent.

They added that the retail clothing sector had suffered from reduced demand caused by unseasonal weather.

Airflow Streamlines rises 29%

Airflow Streamlines, the motor components manufacturer and Ford car and trucks main dealer, boosted pre-tax profits in the six months to August 31 1986 by 29 per cent from £390,000 to £503,000. Turnover expanded from £16.45m to £20.58m.

The interim dividend is held at 0.35p from earnings per share up to 3.52p (2.43p). The tax charge increased to £176,000 (£156,000).

Sales in both divisions increased significantly.

COMPANY NEWS IN BRIEF

AMARI, through Amari Plastics Holdings, has acquired the Belgian plastics extrusion company, Isobelec, in a cash deal of approximately £410,000. The Belgian operation near Liege will trade as Amari Plastics International SA, and Mr Patrick Houard, the former marketing director, has been appointed managing director.

DOWDING & MILLS: At the annual meeting, chairman said there was no indication of an upturn in industrial activity but was confident that group would achieve record results for year to June 30 1987.

TREFOREST SILK PRINTERS: Half-year to June 30 1986; interest receivable £5,056 (same), expenses £598 (£575). Pre-tax profit £4,458 (£4,481). Tax £544 (same).

WILKINSON & Riddell (Holdings): Turnover £6.56m (£6.88m), and loss before tax £94,000 (profit £24,000) for half year to June 30, 1986. Tax £2,000 (£1,000). Attributable loss £91,000 (profit £18,000). Company's ultimate holding company is Courtaulds. Directors said market conditions remained difficult to date and are not expected to improve in remainder of year.

JERMYN INVESTMENT: Total income for six months to June 30, 1986, was £109,651 (£98,163). Net revenue after tax amounted to £66,480 (£60,240) giving earnings of 6.65p (6.02p) per 25p share.

CAPITAL GEARING TRUST: Net asset value per 25p share was 128.1p as at October 5, 1986 compared with 123.6p six months earlier. It is anticipated that the dividend for the year will not be less than the 0.23p paid for 1985/86.

ROTHMANS International, the diversified tobacco group, said that its fully owned subsidiary Rothmans International Investments was negotiating the sale of a 60 per cent stake in Rotraco Exports, a Far East trader, to Rothmans Industries, a Singapore-based associate company.

SIMON ENGINEERING'S subsidiary Simon-Carves is currently negotiating sale of Solitec division whose products include screw conveyors, bin activators and associated machines, and which has an asset value in excess of £1m. Company expects purchaser will retain considerable number of staff at Blaenavon and Gloucester.

D. J. SECURITY ALARMS has exchanged conditional contracts for the acquisition of W. R. Loftus. Consideration is for every five Loftus shares, 36 new ordinary in D.J. The terms involve the issue of 269,959 new D.J. ordinary (6.23 per cent of the enlarged issued ordinary). Allottees of 135,079 of these shares (just over 50 per cent of the share to be issue) have agreed not to sell or transfer them for one year without the prior consent of D.J. Taking D.J. ordinary at 103p, the terms value each Loftus share at 741p, and the aggregate value of the consideration is approximately £278,000.

ANGLO UNITED Development Corporation: The board said the offer from Anglo United PLC had been accepted by holders of 78.33m common shares (95.54 per cent). Offer unconditional and remains open for acceptance until further notice.

HARGREAVES GROUP: Morgan Grenfell, deemed to be acting in concert with Coalite Group, bought a further 1.99m Hargreaves (5.47 per cent) at 265p per share on October 27. Coalite and persons acting with it now own a total of 5.39m (14.83 per cent) Hargreaves shares.

MERGER CLEARANCES: The proposed acquisitions by Lloyds Bank of assets of Continental Bank of Canada and by Redland of Genstar Stone Products Company are not to be referred to the Monopolies and Mergers Commission.

SIRDAR, the knitting wool manufacturer, has received acceptances in respect of 6.8m Burmatex ordinary shares, representing 96.7 per cent of the ordinary shares currently in issue. Its offer for the carpet and carpet tiles manufacturer has been declared unconditional.

EGLINGTON OIL and Gas proposes to lift its stake in Ovoca Gold Exploration to 612,500 shares (19.4 per cent) by acquiring 500,000 from Texas Continental Securities in exchange for the issue of 700,000 new Eglington shares. Ovoca has mineral exploration interests in counties Wicklow and Mayo in Ireland, and in Brazil.

BM Group has bought assets relating to three sections of Northern Engineering Industries' business—Hymac Excavators, Haulamatic trucks and Ritemixer truck mixers. BM is paying a total of £2.2m for the acquisitions, of which £1.2m was paid on exchange of contracts with the remaining £1m to be paid by December 31, 1986.

CENTRAL INDEPENDENT TELEVISION'S shareholders approved enfranchisement of the ordinary shares. Holders of voting shares are to be given one new ordinary share for every ten held, in compensation for dilution of their voting rights. Dealings begin next Monday, when the company steps up from the USM to the main market.

FERGUSON INDUSTRIAL Holdings has sold its Fred Wright and Sons (Supplies) subsidiary to Heath Engineering Products (Manchester) for £175,000 in cash, of which £75,000 is payable over the next three years. In the year to February 28 Wright had net assets of £205,000 and incurred a pre-tax loss of £19,000.

COMPAGNIE DE Navigation Mixte, a French investment bank, has increased its holdings in the jeans and casualwear manufacturer, Lee Cooper, to 7.04 per cent. Compagnie de Navigation Mixte first began to invest in Lee Cooper, by acquiring a 5.04 per cent stake, in mid-September.

BROWN SHIPLEY, the merchant bank, is to pay £4m for Stirling Hendry and Co. Scottish stockbroker with offices in Glasgow and Dundee. Stirling Hendry has more than £215m under advice and had pre-tax partnership profits of £983,000 in the year to April 25. Brown Shipley is also to acquire St. Paul's Finance and Investment Company.

APPOINTMENTS

Senior general manager of National Girobank

Mr Brian Emmott has been appointed senior general manager of NATIONAL GIROBANK. He will co-ordinate the activities of the bank's existing regional general managers and develop plans for extending regional services. Mr Emmott was appointed general manager of the bank's north east region in 1984 and retains this post.

★

BARING WILSON & WATFORD has appointed Mr Ian Cooper, Mr Bernard Grundy and Mr Anthony Hawes directors from November 1.

★

Dr P. Hanley has joined OXFORD APPLIED RESEARCH as a main board director.

★

Sir Keith Stuart, chairman of Associated British Ports Holdings, has become a non-executive director of BAA (formerly the British Airports Authority). Sir Keith will take up his appointment on November 1 for a period of three years.

★

GUARDIAN ROYAL EXCHANGE ASSURANCE has appointed Mr Jim McDonough assistant general manager (operations). He will take up his new post next February and is to be responsible for international business development.

★

At the LONDON METAL EXCHANGE, Mr C. J. B. Green has been appointed vice chairman in place of Mr R. D. Gee. Mr Gee will remain a member of the board.

★

EBC AMRO BANK has appointed Mrs Jane Swinglehurst as marketing director of EBC Amro Unit Trust Management from November 1.

★

Mr Vincent J. Byrne and Mr Malcolm D. Stratten have been appointed directors of Lloyd's brokers, BRADSTOCK BLUNT & CRAWLEY.

★

Prof G. Zandano, chairman of Istituto Bancario San Paolo di Torino, has been appointed to the board of HAMBROS Plc and his colleague Dr A. Jezzo, director of international affairs, has been appointed to the board of Hambros Bank.

★

NEURO TECH has appointed Mr Stephen Spencer as managing director. He was formerly with Pilkington Medical Systems, part of Barr & Stroud.

★

CRUDEN CONSTRUCTION has made a number of board appointments. Mr K. W. Morland, construction director, becomes managing director; Mr A. W. R. Smith, commercial director, becomes deputy managing director, and Mr P. J. Clarke, Mr I. W. Davies, and Mr J. Massie become directors responsible for construction, commercial affairs and quantity surveying respectively. Mr J. G. Kemp, chief accountant, now combines the position with company secretary.

★

On November 1, AIR UK will appoint Mr Steve Kaye technical director of its Norwich-based engineering division. He succeeds Mr Eric Smith, who has retired.

★

The MANDARIN ORIENTAL HOTEL GROUP has appointed Mr Colin Wearmouth as finance director. He joins from the parent company, The Hong Kong Land Group where he was general manager, financial control.

★

Mr Neel Grinsted has been appointed managing director of TECHNICAL AUDIT, a consultancy recently acquired by Abaco Investments.

★

Dr Robert Cummings, chairman of ROBERTSON RESEARCH will retire on December 14. He will remain a director and continue in an executive capacity as chief scientist of the group. He will be succeeded by one of the deputy chairmen, Mr Lionel Cook.

★

TRT TELECOMMUNICATIONS has appointed Mr David R. Bearham as director marketing and sales (UK). He retired from British Telecom International as chief executive international telephones in June 1984 and has worked as a consultant since then. TRT is a US company.

★

Mr Michael MacDougall has joined MANEX as investment manager. He was senior investment manager with the Gulf Bank in Kuwait.

★

MEGATOR PUMPS AND COMPRESSORS has appointed Mr Bill Lawson as chairman. He succeeds the founder of the company Mr Frederick McCombie who died earlier this year. Mr Lawson will combine the chairmanship with his existing functions as managing director of Megator Pumps and president of Megator Corporation, its Pittsburgh-based US subsidiary.

★

Mr Graham Fairweather and Mr Robert Upsdell have been appointed non-executive directors of BCE HOLDINGS, Bristol, manufacturer of pool and snooker equipment. Mr Fairweather has been a partner of Touche Ross and Co and has held directorships in a number of public and private companies, including Imperial Hotels Group and Windsor Securities. Mr Upsdell is chairman and chief executive of Leisure Development and has been a main board director of Ladbroke Group and Courage, and chairman and chief executive of EMI Leisure.

★

Mr Geraint E. R. Thomas has joined the board of KLEINWORT GRIEVESON INVESTMENT MANAGEMENT as finance director. He was a director in the finance group of Rank Xerox.

★

Mr Michael Hoyle has joined ERNST & WHINNEY as an executive consultant in the public sector practice of management consultancy services. He was deputy chairman of the economic advisory group, and head of economics and marketing at Peat Marwick. Mr John Mellor becomes an executive consultant in the banking and financial services practice. He was with Citibank where he was vice-president, commercial banking group, Cambridge. Mr Michael Deakin of the banking and financial services practice and Mr Alan Howarth of the information practice become executive consultants.

★

ROCK has appointed Mr David Dannhauser as finance director. He was finance director of Y.A.Y. Holdings.

★

Mr Brian Grimmond, who retired from Barclays Bank on September 30, has been appointed general manager of SFE BANK.

★

Mr John Duncan has been appointed director of corporate affairs for INCHCAPE. He was division vice-president, public affairs and communications, Europe, Middle East and Africa for American Express Europe.

★

Mr Kevin Casey is to join the board of DEWE ROGERSON as head of advertising in November. He is new business director at Brunnings.

★

Mr George Dunkerley has been appointed to the board of SCANDINAVIAN BANK as a non-executive director. He was with Peat Marwick Mitchell & Co in London until his retirement as deputy senior partner a year ago. Since his retirement he has been a director of STC and chairman of The Oil and Pipelines Agency.

Group changes at Conde Nast

Management changes are being made in the CONDE NAST GROUP, to take effect on April 1. Mr Daniel Salem, chairman of the British company, will become deputy chairman of the group. He will remain chairman and president of Conde Nast International Inc. and continue to be directly responsible for all the group's operations outside the US. Mr Robert Lapham, president of the US company, is to retire and will be succeeded by Mr Bernard Leser, managing director of the British company, who will move to New York. Mr Richard Hill, deputy managing director of the British company, will take over from Mr Leser, and will continue as publisher of British Vogue. Mr Glyn Stanford will add the functions of deputy managing director of the British company to his duties as publishing director of British House and Garden and of Brides and Setting Up Home. Mark Boxer will be appointed to the newly-created post of editorial director of the British company, while remaining editor of Tatler.

★

Mr Rupert Hambro has been appointed a non-executive director of ASSET TRUST.

★

Mr S. Riley has been appointed chairman of PRICE FORBES from November 1. Mr Riley is a member of the board of Sedgwick Group. He succeeds Mr J. H. Swinglehurst who will be concentrating on the further development of the group's worldwide business in his role as corporate director, group developments.

★

Mr Leon Brittan has been appointed a non-executive director of SHARP TECHNOLOGY FUND, the Birmingham-based venture capital fund.

★

AMERICAN LIFE has appointed as regional sales directors Mr Brian Hamilton (south-east), and Mr John Millington (south-west).

★

From November 1, Mr Richard Jenks, managing director of Paterson Foods, will join Mr Dennis Jenks as joint chairman of PATERSON JENKS. He will also be responsible for overall corporate development in the UK. Mr Peter Geoghegan, production director, becomes managing director of Paterson Foods. Mr John Moynihan has been appointed divisional director and marketing controller of Paterson Foods.

★

Mr Ron Draper has been appointed divisional administration director of Sheaffer Eaton division of TEXTRON. He will be responsible for overall administration as well as becoming a member of the divisional board of Sheaffer Pen Textron, UK division. He was financial controller.

★

ALLIED DUNBAR has appointed Mr Hugh Jenkins, group investment director, as deputy chairman, chief executive of Allied Dunbar Unit Trusts. Mr Harry Littlefair becomes vice-chairman with special responsibility for pension fund investment, investment communication and liaison.

FT COMMERCIAL LAW REPORTS

Tax avoidance, evasion, sham and mitigation distinguished

COMMISSIONER OF INLAND REVENUE v CHALLENGE CORPORATION LTD

Privy Council (Lord Keith of Kinkel, Lord Brightman, Lord Templeman, Lord Oliver of Aylmerton and Lord Goff of Chieveley): October 20 1986

TAX AVOIDANCE occurs when a person gains a tax advantage without suffering the reduction in income, loss or expenditure which would qualify him for reduction in tax liability; and in the absence of statutory provision to the contrary, a group of companies cannot claim the benefit of a loss which was sustained by one of its members before it joined the group and was not suffered by the group.

The Privy Council so held (Lord Oliver dissenting) when allowing an appeal by the Commissioner of Inland Revenue from a majority decision of the Court of Appeal of New Zealand upholding the validity of an agreement made by Challenge Corporation Ltd for the purpose of reducing tax liability within its group of companies.

Section 99 of the Income Tax Act 1976 of New Zealand provides: "(2) Every arrangement made . . . shall be absolutely void as against the Commissioner for income tax purposes if . . . (a) its purpose or effect is tax avoidance . . ."

Section 191(5) provides that in the case of a specified group of companies, if a company so elects, "any loss . . . may . . . be deducted from the assessable income derived in that income year by . . . other . . . companies . . . in the specified group . . ."

LORD TEMPLEMAN, giving the majority judgment, said that by an agreement dated February 28 1978 Merbank Corporation Ltd sold Challenge the whole of the issued share capital of Perth Property Developments Ltd. The price was to be $10,000, or 22½ per cent of the tax loss of $5.8m incurred by Perth which proved deductible from assessable income of the Challenge group, which ever should prove to be higher.

By section 99 of the Income Tax Act 1976 of New Zealand any contract was absolutely void as against the Commissioner if its purpose or effect was to reduce liability to income tax. The purpose of the agreement of February 28 was to reduce the liability of the Challenge group by $2.85m.

Challenge asserted that notwithstanding section 99 it was entitled to treat the agreement as valid because section 191 of the Act allowed losses to be transferred in certain circumstances between members of a group.

In the High Court of New Zealand Mr Justice Barker found in favour of Challenge. He was upheld by a majority in the Court of Appeal (President Woodhouse dissenting). The Commissioner appealed.

Perth had made a deductible loss of $5.8m before it became a member of the Challenge group under the agreement of February 28. Subsequently it gave notice of election under section 191 transferring that loss to Challenge subsidiaries which had earned assessable income exceeding $5.8m. They claimed to deduct Perth's loss from their own income by virtue of section 191 (5).

Section 191 was intended to give effect to the reality of group profits and losses. When one member of a group made a profit of $5.8m and another made a loss of $5.8m then the reality was that the group had made neither a profit nor a loss and that the members of the group should not be liable to tax. Section 191 in those circumstances was an instrument of tax avoidance.

But in the present circumstances the reality was that the Challenge group never made a loss of $5.8m. The loss was made by Perth and fell on Merbank before Challenge contracted to buy Perth. Section 191 in these circumstances was an instrument of tax avoidance which fell foul of section 99.

Stripped of pretence, one taxpayer, Challenge, was purchasing the tax benefit of a loss sustained by another taxpayer, Perth. If successful, Challenge would obtain a tax advantage of £2.85m by means of an arrangement, and the benefit of that tax advantage would then be divided between Challenge and Merbank. A clearer case for the application of section 99 could not be imagined.

There were discernible distinctions between transactions which were a sham, which effected evasion of tax, which mitigated tax, and which avoided tax.

In the present case Mr Justice Barker pointed out that the transaction was not a sham. It was not so constructed as to create a false impression to the tax authority. Challenge purchased the shares of Perth; it did *not pretend to purchase* them.

Tax evasion could also be dismissed. Evasion occurred when the Commissioner was not informed of all the facts relevant to tax assessment. Challenge fulfilled its duty to inform him of all the relevant facts.

The material distinction in the present case was between tax mitigation and tax avoidance. A taxpayer had always been free to mitigate his liability to tax (see *CIR v Duke of Westminster [1936] AC 1*).

Income tax was mitigated by a taxpayer who reduced his income or incurred expenditure in circumstances which reduced his assessable income or entitled him to reduction in his tax liability. Section 99 did not apply to mitigation because the advantage was not derived from an "arrangement" but from the reduction of income.

Thus, when a taxpayer executed a covenant and made a payment under it, he reduced his income. The tax advantage resulted from payment under the covenant. When he made a settlement he deprived himself of capital which was a source of income, and thereby reduced his income. The tax advantage resulted from reduction of income. When he paid a premium on a qualifying insurance policy, he incurred expenditure. The tax advantage resulted from that expenditure.

A taxpayer might incur expense on export business or incur capital or other expenditure which, by statute, entitled him to a reduction in tax liability. The tax advantage resulted from the expenditure for which Parliament granted specific relief.

When a member of a specified group of companies sustained a loss, section 191 allowed the loss to reduce the assessable income of other members of the group. The tax advantage resulted from the loss sustained by one member of the group and suffered by the whole group.

Section 99 did not apply to tax mitigation. It did apply to tax avoidance.

Income tax was avoided and a tax advantage was derived from an arrangement when the taxpayer reduced *his* liability to tax without involving himself in the loss or expenditure which entitled him to that reduction. The taxpayer engaged in tax avoidance did not reduce his income or suffer a loss or incur expenditure, but nevertheless obtained a reduction in his liability to tax as if he had.

Challenge had not practised mitigation because the group never suffered the loss of $5.8m. The tax advantage stemmed from the arrangement with Merbank and not from any loss sustained by Challenge or its group.

In an arrangement of tax avoidance the taxpayer's financial position was unaffected and he sought to obtain a tax advantage without suffering that reduction in income, loss or expenditure which other taxpayers suffered and which Parliament intended to be suffered by any taxpayer qualifying for a reduction in tax liability.

In order to escape section 99 a transferable loss must be sustained by a member of the group which had suffered the loss.

If a taxpayer asserted a reduction in assessable income or sought tax relief without suffering the expenditure which qualified for such relief, then tax avoidance was involved and the Commissioner was entitled and bound by section 99 to adjust the assessable income so as to eliminate the tax advantage.

The appeal should be allowed.

★

LORD OLIVER, dissenting, said that to say that election under section 191(5) was valid except where it was made for the purpose of tax avoidance was to emasculate the section, for there could be no other purpose in the election thus contemplated than tax avoidance.

The only possible reconciliation of sections 99 and 191 was to treat the latter as providing the code for group taxation and containing its own exhaustive anti-avoidance provisions, so that section 99 was subject to a limitation that it did not avoid a transaction authorised under section 191.

For the Commissioner: DP Neazor QC, Solicitor-General and PJH Jenkin (Allen and Overy)

For Challenge: RL Congreve and RA Green (Freshfields)

By Rachel Davies
Barrister

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
*170	F.P.	—	207	186	BakerHarrisSaund's10p	207	......	R4.0	2.7	2.7	19.3
§38	F.P.	—	42	39	‡B.C.E. Bldgs 5p	40	......	Rd1.0	3.0	3.5	13.3
§115	F.P.	—	122	120	‡Berry, Birch 10p	121	......	R2.5	2.2	4.9	13.0
§95	F.P.	—	145	117	‡Blenheim Exhibits. 5p	130	−5	u2.1	3.2	2.3	17.8
§100	F.P.	—	109	100	‡Citygrove 10p	101	+1	R2.5	2.7	3.5	14.7
160	F.P.	24/10	151	123	Euro Home Products 5p	151	......	R4.25	2.5	4.0	11.6
§105	F.P.	16/10	112	100	‡Eve Construction	103	......	u4.5	3.2	6.2	7.2
§135	F.P.	24/10	166	145	‡Great Southern 10p	160	......	R5.2	2.2	4.6	13.7
	F.P.	—	28	27	Group Development	28	......	—	—	—	—
185	F.P.	7/11	208	188	‡Interlink Express 5p	204	−2	R3.5	3.2	2.4	18.5
§135	F.P.	24/10	245	145	‡Local London Group 5p	225	+15	W5.0	1.8	3.1	25.3
110	F.P.	5/11	141	119	Marlbor'gh Tech Man 5p	141	+3	R2.70	3.1	2.7	14.2
135	F.P.	—	152	143	Mecca Leisure 10p	152	+3	R4.1	2.2	3.8	16.6
§105	F.P.	24/10	172	133	‡Miller & Santhouse 5p	172	+7	u2.25	2.4	1.8	32.1
—	F.P.	—	35	27	New Australia Inv Wrnts	35	+2	—	—	—	—
§75	F.P.	24/10	79	73	‡Newage Trans 5p	75	......	R3.5	2.5	6.6	8.5
§90	F.P.	24/10	90	88	‡Radamec Group 5p	90	......	R1.28	5.7	2.0	12.3
§95	F.P.	—	97	89	‡Rotonda 10p	89	......	R30.3	2.8	4.7	10.7
¶110	F.P.	24/10	108	102	‡Ryman 5p	102	......	L1.5	3.2	2.1	17.1
135	F.P.	24/10	164	151	Sandell Perkins 10p	164	+3	u3.8	2.9	3.3	15.1
100	50	14/11	102	80	TSB	82	+1½	W4.26	3.1	4.5	10.1
‖	F.P.	—	385	320	‡Utd. Trust & Credit £1	341	−2	u14.0	2.1	5.8	11.8
§160	F.P.	5/12	179	163	‡Whinney Mackay 10p	163	......	R4.0	3.0	3.5	13.5
104	F.P.	—	85	80	‡Woottons Bet'ware 10p	85	......	dR3.7	1.5	6.1	15.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	—	13½pm	12pm	Bristol Oil & Min 3% Cnv 2nd Mt Deb 1989	13½pm	......
‖	F.P.	13/11	106	100½	Comtech Finance 11½% Cnv. Uns. Ln. 1996	104	......
§100	£10	8/1	12½	11	East Worcs. Water 12½% Red Deb 94-96	12¼	......
§100	£10	29/1	10¼	9½	Essex Water 11¼% Red. Deb. 2002-04	10	......
¶101.41	£10	26/2	11¼	11½	do 8⅝% Red. Pf 1993	11½	......
‖	F.P.	14/11	112p	106p	‡Goodhead Print 7% Cnv. Red. Prf	112p	......
‖	Nil	—	9pm	7pm	Hartons 7% Cnv. Cum. Red. Prf	7½pm	......
§100	£10	15/5	9½	2	Mid-Sussex Water11% Red Deb2012-16	4	......
—	F.P.	—	100¼	100	Nationwide11¾% 26/10/87	100¼	......
¶101.87	£10	22/1	11¼	11½	Portsmouth Wtr. 8¾% Red. Pf 1996	11½	......
96.645	£25	8/1	24¼	17	Scot. Met. Prop. 10¼% 1stMort.Deb.2016	18¼	−⅛
¶102.25	£10	8/1	11¼	11½	Tendring Hundred Wtr 8¾% Rd. Pf 1996	11½	......

"RIGHTS" OFFERS

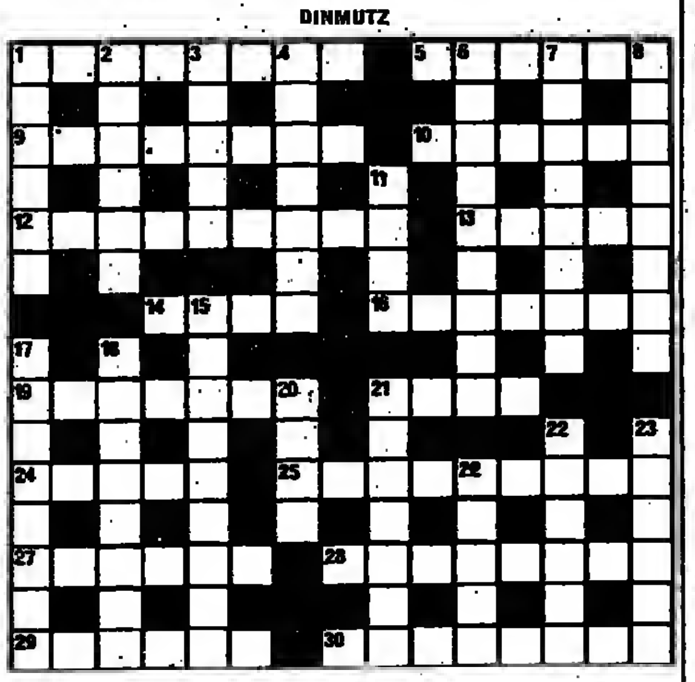
Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
137	Nil	—	18pm	12pm	Bellway	12pm	......
330	Nil	—	54pm	46pm	Blue Arrow	54pm	+4
86	Nil	—	6pm	6pm	Brown Boveri	6pm	......
90	Nil	12/12	19pm	7pm	Bryant Hldgs.	19pm	+6
71	Nil	24/11	8pm	3pm	Burns Anderson 10p	8pm	......
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	......
285	Nil	15pm	15pm	3pm	FR Group	4pm	+1
30	Nil	25/11	9pm	1pm	Norfolk Cap 5p.	1pm	......
160	Nil	10/12	58pm	32pm	Parrish (J.T.) 5p	58pm	......
100	Nil	—	50pm	15pm	Ratcliffe (F.S.) Inds.	15pm	−5
720	Nil	—	16pm	2pm	Siebe	2pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. ı Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." §§ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

JOTTER PAD

F.T. CROSSWORD PUZZLE No. 6,165

DINMUTZ



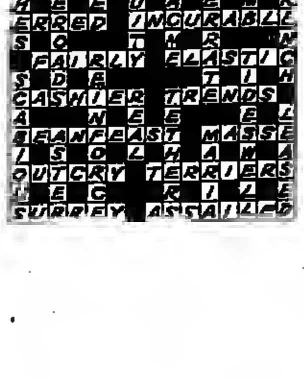
ACROSS

1 Stocking-tube Rose is attached to ?(8)
5 Wheat's cut down in one sweep of scythe (6)
9 Room for recording matches (6)
10 Limey, say, taking some illicit riches (6)
12 Jacobson, we hear, is artist selected (9)
13 Stock English retort (5)
14 Peter out, Jack ? (4)
16 Coats produced by seal-men (7)
19 Just a piano (7)
21 Money taken from chapel funds (4)
24 Mill trouble here—fellow faces forfeiture (5)
25 Warmed up and made perfect (9)
27 Language of composer Edward ? No ! (6)
28 Phaeton's turned into another carriage (8)
29 Quarry that could have a bull in it (6)
30 Table set badly gives check to people sitting down (4-4)

DOWN

1 Tweed boatman (6)
2 "How sweet and kind of Daddy, giving you a start" (6)
3 Force of numbers (5)
4 Sorrowful separation ? (7)
6 Halt while repair is made in main road (9)
7 Eg Shadbolt, awful rotter taking up Rugby (8)
8 The Artful Dodger ? (8)
11 Destiny, say, of gala (4)
15 What to do in 6 when member is tardy ? (9)
17 Chelsea v Bath ? (3-5)
18 Arsenal's manager ? (8)
20 Drink like a fish (4)
21 Run on, using piano-conductor (7)
22 A Barchester character not on the level (6)
23 Notice air-hole in expected arrival (6)
26 Reversible opinion (5)

Solution to puzzle No. 6,164



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUST & INSURANCES

Whittingdale Unit Trust Managers

City of Westminster Assurance—Contd.

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

Clerical Medical/Fidelity International

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Clerical Medical Investment Plan

Acres Life Insurance Co Ltd

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Albany Life Assurance Co Ltd

Commercial Union Group

Allied Dunbar Assurance Plc

Continental Life Insurance PLC

Cornhill Insurance PLC

Ambassador Life Ass. Co. Ltd.

American Life Insurance Co UK

Credit & Commerce Life Ass. Ltd

Baltic Assurance Funds

Criterion Assurance Group

Barclays Life Assur. Co Ltd

Crown Financial Management Ltd

Black Horse Life Ass. Co Ltd

British National Life Assurance Co Ltd

Crusader Insurance Plc

Devonshire Life

Canada Life Group

Cannon Assurance Ltd

Eagle Star Insurance Co Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

City of Edinburgh Life Assurance

City of Westminster Assurance

Equity & Law

Equity & Law—Contd.

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

Gartmore Fund Managers Ltd

General Accident Linked Life Assurance

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Guardian Royal Exchange

Growth & Sec. Life Assce. Soc. Ltd

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Hill Samuel Life Assur—Contd.

Imperial Life Ass. Co. of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The L&G Group

Legal & General (Unit Assur) Ltd

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU

Liberty Life Assurance Co Ltd

London A'tlan & Nthn. Mtl. Assur. Ltd

Londen Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Group

M & G Group—Contd.

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Minster Insurance Co Ltd

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Prices September 30. Next dealing October 3.

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pearl Assurance

Pioneer Mutual Insurance Co Ltd

Phoenix Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur. Co Ltd

Prudential Pensions & Annuities Ltd

Providence Capital Life Assur. Co Ltd

Provident Life Assoc. Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Amicable Investments—Contd.

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Seaford Life plc

Skandia Life Assurance Co Ltd

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Tyndall & Co

29-33 Princess Victoria St, Bristol 0272 732241

Demand Acc.	10.36	7.75	11.23	Qtr
Money Acc.	10.53	7.87	11.42	Qtr

J. Henry Schroder Wagg & Co Ltd

Enterprise House, Portsmouth 0705 827739

Special Acc.	9.25	6.91	10.04	Mth
Over £10,000	9.50	7.10	10.34	Mth

Western Trust & Savings Limited

The Moneycentre, Plymouth PL1 5C 0752 224141

High Int Chq Acc.	11.13	8.32	12.08	Qtr

Wimbledon & South West Finance Co Ltd

114 Newgate St, London EC1A 7AE. 01-606 9485

High Int Cheque Acc.	11.8	8.22	11.94	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	48	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	6
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	65	Land Secs	38
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brit. Oil & Min.	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Tin gloom lifts in Malaysia

BY WONG SULONG IN KUALA LUMPUR

TIN PRICES continued their recent advance yesterday, establishing new seven-month highs in Kuala Lumpur and Europe and fuelling the increasing optimism which has been apparent among tin miners in Malaysia, which has up to now been the largest producing country.

The Kuala Lumpur price gained 25 cents to 15.65 ringgit (£4.20) a kg while the European free market price rose £75 to £4,400 a tonne. And the miners expect further price improvement as western consumers realise the extent of the production cuts in the world tin industry, which saw prices fall from above 29 ringgit per kg before the International Tin Council ran out of money to support prices a year ago, to a low of 13.99 ringgit earlier this year.

"We now expect prices to improve further, probably hitting 16 ringgit or 17 ringgit before the end of the year" says Mr Ibrahim Menudin, president of the Malaysian Chamber of Mines, and chief executive of Malaysia Mining Corporation, the country's biggest tin producer.

Reflecting this confidence, the Kuala Lumpur Stock Exchange tin share index has risen from 112 points at the start of October to 169 points.

During the past two years, the Malaysian tin industry has shed more than 12,000 jobs. Employment is currently slightly below 12,000. There are 187 mines in operation, compared with 280 at the end of 1985 and 450 at the end of 1984.

This year, production is estimated at between 26,000 tonnes and 28,000 tonnes, compared with 36,000 tonnes last year, and 41,000 tonnes in 1984. For the first time in a century, Malaysia's position as the world's top producer is expected to be taken over by Brazil, where output this year is likely to be around 30,000 tonnes.

But few Malaysian miners are greatly troubled by this prospect. "The golden days of tin are gone, and will probably never come back. But what's important we still have a decent size industry that will survive even under current depressed conditions," says a senior official of the Primary Industries Ministry.

Complications by the Malaysian Chamber of Mines, which were presented to consumers at symposiums in Tokyo, Washington, London and Dusseldorf, early this month, showed that the world's tin surplus has fallen to 70,000 tonnes compared with 100,000 tonnes a year ago.

World production this year is projected at 140,000 tonnes, compared with consumption of around 170,000 tonnes.

The Chamber feels that once the surplus is depleted in two to three years time, the tin price would settle at around 24 ringgit a kilo.

But according to Mr Ibrahim, Malaysian miners should feel comfortable if prices are at 18 ringgit a kilo.

Malaysia is a higher cost producer than Brazil mainly because it has to operate on low grades of deposits. "We may work four acres of ground compared to only one acre for the Brazilians to get the same amount of the metal," says Mr Ibrahim.

But during the past year, the Malaysian industry has been forced to take tough cost-cutting measures. Production costs among the dredges has fallen to 14 ringgit a kilo, while among existing gravel pump mines, the cost is not far behind, probably at 15 ringgit a year or two ago.

But the low metal price has hit the country's biggest tin project—the exploitation of the giant Kuala Langat tin fields. The area, 50 miles southwest of Kuala Lumpur, has deposits exceeding 250,000 tonnes, but they lie deep in the ground at between 250 and 300 feet.

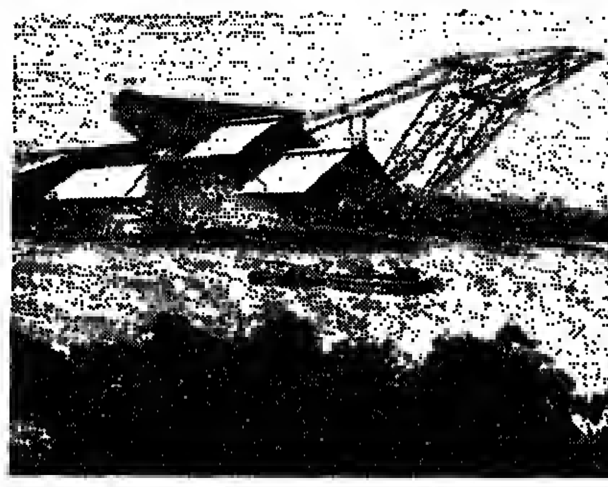
The project, which is a joint venture between MMC (35 per cent) and Kumpulan Perangsang (65 per cent), the mining arm of the Selangor State Government, was due to come into operation next year.

Now, it has been postponed indefinitely. The first of four giant dredges, costing 65m ringgits each, is ready, but will be mothballed.

Following the closure of the London Metal Exchange tin market, Malaysian authorities are working towards establishing Kuala Lumpur as the premier world market. The KLTM is currently the major reference point for physical tin. Its board will meet on November 11 to approve the sale of Thai and Indonesian tin to widen its base. At present it deals only in Malaysian tin.

Since reopening last February the KLTM has transacted 13,133 tonnes of the metal: still very small, but the volume has been rising steadily, averaging 90 tonnes daily this month.

Once the KLTM has attracted sufficient international interest and confidence, Malaysian authorities would introduce tin futures on the Kuala Lumpur Commodities Exchange.



A Malaysian tin dredge

China forecasts another bumper grain crop

CHINA HAS forecast another bumper grain harvest, again frustrating the hopes of exporters that it might become a major market for world surpluses, reports Reuter from Peking.

The latest estimate, given by the official press, puts the national harvest at 390m tonnes, up from 379m last year and second only to the record 407m tonnes in 1984. The high crop level is attributed to a combination of increased acreage, encouraged by incentives to growers, measures to combat natural disasters and better management.

China became a net grain exporter for the first time last year, in spite of the drop in output from 1984. That situation is likely to be repeated this year, though with a narrower margin over imports, according to foreign agricultural experts in Peking.

Customs figures show that China exported 6.67m tonnes of grain in the first eight months of this year, compared with 9.33m in the whole of 1985, and imported 5.26m tonnes, compared with 5.97m.

The foreign experts discount rumours circulating in US grain markets that China would purchase 5m tonnes of maize from the US in the 1986-87 crop year. "If there are such

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,500-2,650.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.35-2.55.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.93-0.96, sticks, 0.93-0.96.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 4.50-5.00.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 145-160.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.15-3.20.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.20-5.70.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 30-40.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5 cif, 2.50-2.65.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

Scottish salmon farmers to get marketing aid

BY JAMES BUXTON IN EDINBURGH

THE SCOTTISH salmon farming industry—one of the fastest growing businesses in the Highlands—is to receive help from the Highlands and Islands Development Board to improve the marketing of its products.

The HIDB is to set up a scheme of help salmon farmers develop and market new salmon products in order to find new outlets for their burgeoning output.

The scheme is designed to provide what the HIDB calls a "marriage bureau" to put farmers in touch with specialists in fields such as market research, technical research and development, packaging and design, and marketing. The Board, a government-sponsored body, will also provide finance for marketing ventures.

This year between 7,000 and 8,000 tonnes of salmon worth about £100m are expected to be produced from hundreds of salmon farms all over the Highlands and Islands. With production rising and new farms coming onstream, output, which was only 500 tonnes in 1980, is expected to reach 20,000-25,000 tonnes by the end of the decade.

But there is now serious concern within the industry that salmon marketing needs to be improved if some of the smaller producers are not to become unviable. The industry suffered a severe shock during the summer when salmon prices fell by about 30 per cent.

France stalls gas deal

BY PAUL BETTS IN PARIS

FRANCE AND Norway have again failed to reach an agreement over the French share of the proposed $80bn 27-year natural gas contract between the Norwegian state oil company Statoil and a group of European gas utilities.

After a further round of negotiations in Paris between the French and Norwegian industry and oil ministers, the French industry and foreign trade ministries said in a joint statement last night that the two countries had not managed to reach the basis of an accord.

France is seeking to win trade compensation concessions from Norway before ratifying the giant natural gas contract but its demands have so far been rejected as excessive by the Norwegians.

Changing patterns in iron ore trade

BY WILLIAM DULLFORCE IN GENEVA

IRON ORE CONSUMPTION (million tonnes)

	1985*	1980	1975	1965	1955
World	816	933	879	628	378
Developing countries	82	74	62	33	6
Developed market economy countries	379	467	509	377	274
Socialist countries of Eastern Europe	209	266	247	168	81
Socialist countries of Asia	146	126	61	49	17

* Estimated. Source: Unctad secretariat

THE world iron ore market is currently going through a period of more stable demand, but a 25 per cent excess of supply capacity over demand is expected to continue until 1990 and help keep prices low.

Important changes can be anticipated, however, in the pattern of trade in iron ore by the end of the 1980s. Trade flows on the Pacific-Indian Ocean routes are likely to increase considerably to meet the growing demand from Asian countries such as China, South Korea, Indonesia, Malaysia, and Pakistan.

These are tentative forecasts presented in a document prepared by the secretariat of the UN Conference on Trade and Development (Unctad) for a five-day meeting in Geneva of senior government officials and industry advisers concerned with the iron ore trade.

Massive structural changes and technological developments in the world iron and steel industries are having a complex and uncertain impact on the ore trade, the document says. The group of experts from producing and consuming countries which cover about 90 per cent of the world trade is trying to assess the current market situation and outlook for iron ore.

Unctad's preliminary estimate for world exports of iron ore in 1985 is 373m tonnes, the highest level since 1980, but still well below the record level of 412m tonnes recorded in 1974.

Two exporting countries—Brazil, with more than 92m tonnes and earnings of $1.65bn and Australia, with 86m tonnes ($1.45bn)—shared almost half the market. Japan remained the leading importer, its intake of 124.5m tonnes accounting for almost 35 per cent of world iron ore imports.

Over the last two years two important developments have taken place which the Unctad secretariat believes will have far-reaching consequences for the iron ore trade. On the demand side China emerged as a major importer and on the supply side the start-up of the Carajas project strengthens the position of Brazil's Companhia Vale do Rio Doce (CVRD) as the world's largest iron ore company.

China plans to double its annual steel output to 80m tonnes by the year 2000. Under a new policy it is increasing the use of imported high-grade ores rather than relying on its own large reserves of low-grade ore, which are distant from coastal processing and manufacturing centres.

Even if domestic mines continue to supply 70 to 80 per cent of raw material requirements, the volume of Chinese imports, about 8m tonnes in 1985, is likely to more than double by 1990, according to Unctad.

The first phase of Brazil's Carajas project reached its full-scale operating level of 15m tonnes in April this year. Its target is 25m tonnes by 1987 and a final annual rate of 35m tonnes. Its reserves are put at 18bn tonnes of ore.

These developments illustrate the continuing shift of both steel production and trade in iron ore away from the developed market economies to developing countries, particularly in South America and Asia.

In 1985 after the longest and toughest negotiations in iron ore history exporters won a very modest price increase of about 1.6 per cent following three years of decline.

Despite better results for the steel industry in general and the sharp depreciation of the US dollar, the 1986 price negotiations resulted in a price cut of 1.1 per cent. In Europe the reductions were made on fines and lump ores, while prices of pellets and pellet-feed remained unchanged.

In Japan negotiations covering the 1986-87 fiscal year ended at the beginning of July with a sharp reduction of 4 per cent. Japanese steelmakers, facing financial difficulties as the appreciation of the yen provokes a drop in their exports, are looking for new sources of lower-priced ore and reducing their reliance on the two largest suppliers. They have already made agreements with India, Chile, South Africa, Peru and Sweden.

Competition among exporters in a buyer's market is intensifying with ore producers aiming at maximising sales volumes and increasing market shares, Unctad finds. It suggests that the current price-setting system for the trade is anachronistic since the determining factor for export earnings has become the exchange rate policies of individual countries.

Unctad is cautious about forecasting even the short-term outlook. In the first half of this year steelmakers were rebuilding their stocks after achieving lower prices in the annual negotiations. Brazilian iron ore exports increased substantially and pellet producers were operating at full effective capacity.

In the second half the Unctad secretariat expects overall demand will be weaker, affected by low prices for ferrous scrap and a slight decline in steel industry output. Incidental factors such as oil price fluctuations, exchange rate changes and capital investments in developing countries add uncertainties to the 1987 scenario but Unctad predicts a slight deterioration in iron ore market conditions next year.

Trends for iron and steel consumption and indirectly for iron ore are rarely analysed at the global level, a Canadian paper submitted to the experts' group commented. Misleading forecasts had been widely accepted during the last two decades.

Among crucial variables cited by the Canadians were the declining amount of steel being used in manufactured products, such as cars, and uncertainty about the future role of ferrous scrap. In North America scrap accounts for nearly half the iron required in iron and steel-making and its supply is growing.

One proposal before the experts' group is for the appointment of national correspondents to supply the Unctad secretariat with statistical data. So far 51 countries have expressed readiness to nominate correspondents.

LONDON MARKETS

BASE METALS prices on the London Metal Exchange moved up sharply yesterday, mainly reflecting sterling's fall against the dollar. In fact this was the only factor quoted in justification of rises of £10 to £926.50 a tonne for cash Grade A copper, £17.50 to £814.50 for aluminium, and £62.50 to £2,597.50 for nickel. The zinc market, however, had strength of its own based on tightening nearby supplies and producer support which helped the cash price to advance £21.50 to £632.50 a tonne. And cash lead's £5.25 rise to £325.75 a tonne reflected producer price increases as well as the currency factor. Coffee futures prices rose strongly as bargain-hunting speculators returned to the market following Wednesday's heavy sell-off.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

Official closing (am): Cash 804-5 (799-9.5), three months 819-9.5 (815-5.5), settlement 805 (799.0). Final Kerb close: 828.5-9. Turnover: 23,275 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	814-5	+17.5	814/804.5
3 months	896-7	+13.70	829/816

COPPER

Grade A	Unoffic'l close	+ or —	High/Low
Cash	926-7	+10	926/917.5
3 months	959.5-3	+11.25	954/942

Official closing (am): Cash 817-7.5 (919-9.5), three months 942.5-3 (944-4.5), settlement 917.5 (919.5). Final Kerb close: 953.5-4).

Standard			
Cash	905-7	+8	906/898
3 months	931.5-2.5	+10	932/925

Official closing (am): Cash 897-7.5 (899.5-900.5), three months 923-4 (925-7), settlement 877.8 (900.5). US Producer prices 63-68.5 cents per pound. Total Turnover: 18,425 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	325.5-6	+0.25	329/324
3 months	318.5-20	+5.5	320/316

Official closing (am): Cash 328-9 (320-1), three months 319.5-20 (317-8), settlement 329 (321). Final Kerb close: 320-21. Turnover: 11,550 tonnes. US Spot: 24-27 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2595-600	+62.5	2560/2560
3 months	2640-5	+64	2646/2600

Official closing (am): Cash 2,556-60 (2,533-5), three months 2,610-5 (2,590-2), settlement 2,560 (2,535). Final Kerb close: 2,645-50. Turnover: 1,038 tonnes.

TIN

KUALA LUMPUR TIN MARKET—Close: 15.65 (15.40) ringgit per kg. Up 0.25.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	632-5	+21.0	633/623
3 months	610-11	+8	613/606

Official closing (am): Cash 624-5 (605-6), three months 605-6 (600-0.5), settlement 625 (606). Final Kerb close: 612-13. Turnover: 31,900 tonnes. US Prime Western: 44-50.75 cents a pound.

GOLD

Gold rose $1¼ an ounce from Wednesday's close in the London bullion market yesterday to finish at $406¼-406¾. The metal opened at $402¾-403¾ which proved to be the day's low and touched a best level of $407¼-408. Uncertainty about the price of oil appeared to stimulate some demand in thin trading and was sufficient to offset the effects of a stronger dollar after better than expected trade figures.

GOLD BULLION (fine ounce)	Oct. 30	
Close	$406¼-406¾	(£290-290½)
Opening	$402¾-405¼	(£285½-286)
M'n'g fix	$404.00	(£285.680)
Aft'n'n fix	$405.50	(£289.571)

GOLD AND PLATINUM COINS

Am Eagle	$429¼-427½	(£305¼-305¾)
Mapleleaf	$410¼-420¾	(£297¾-301)
Kr'g'r'nd	$402-404	(£281½-289)
½ Krug	$201¾-211¼	(£144¼-151¼)
¼ Krug	$101-109	(£72¾-78)
Angel	$413½-415½	(£295¾-296)
1/10 Angel	$43-46	(£30¼-33¼)
New Sov.	$95-97	(£68-69¼)
Old Sov.	$96½-98	(£69-70)
$20 Eagle	$460-530	(£343½-379)
Noble Plat	$590-600	(£429-429¼)

SILVER

Silver was fixed 1.85p an ounce higher for spot delivery in the London bullion market yesterday at 397.05p. US cent equivalents of the fixing levels were: spot 559.65c, up 0.15c; three-month 567.6c, up 0.1c; six-month 575.65c, down 0.2c; and 12-month 591.65c, up 9.4c. The metal opened at 394.395½p (556-558c) and closed at 402-403½p (563-565c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	397.05p	+1.85	402p	+6.5
3 months	407.70p	+1.50	412.0p	+8
6 months	418.75p	+1.75	—	—
12 months	439.80p	+2.50	—	—

LME—Turnover: 13 (4) lots of 10,000 ounces.

Cash high/low 398.5p; three months high 413p, low 412p, final kerb 411-3p.

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or —	Business done
Dec.	154.8-154.5	+0.55	155.2
Feb.	155.8-156.5	+0.80	155.5
April	158.0-157.5	+0.85	—
June	154.5-155.4	+0.50	—
August	155.5-155.0	+0.50	—
October	154.5-157.5	+0.25	—
Dec.	155.0-157.5		—

Sales: 73 (1,068) lots of 20 tonnes.

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 92.07p per kg lw (—0.36). GB—Sheep 161.91p per kg est dcw (+10.54). GB—Pigs 80.33p per kg lw (—0.99).

FUTURES—Live cattle: Oct 94.30, sales 5. Pigs: Nov 103.20, sales 1. Pigmeat: Nov 111.60, sales 10.

INDICES

REUTERS

Oct. 29	Oct. 28	M'th ago	Year ago
1594.4	1587.7	1587.0	1718.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct 29	Oct 28	M'th ago	Year ago
Spot	120.57	121.84	—	117.15
Fut	119.56	121.22	—	120.58

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 30 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1250/250	+0	$1515/535
Copper			
Cash Grade A	£926.0	+10	£917.70
3 mths	£952.75	+11.25	£941.75
Gold Troy oz	$406.5	+1.25	$422.875
Lead Cash	£325.75	+0.25	£275.07
3 mths	£319.70	+3.0	£281.95
Nickel			
Free Mkt	165/185c	+1	167/187c
Palladium oz	$129.25	+1.5	$141.00
Platinum oz	$570.00	+1.5	$579.50
Quicksilver†	$160/170		$140/160
Silver troy oz	397.05p	+1.85	387.30p
3 mths	407.70p	+1.50	3957.4p
Tin			
free mkt	£4380/420	+75	£3810/50
Tungsten	$51.25		$51.20
Wolfram 22.0lb	$39/42		$32/42
Zinc	£639.5	+21.5	£527
3 mths	£610.0	+5	£617.75
producers	$920		$920
OILS			
Coconut (Phil)	$430x		$297.5
Palm Malayan	$330v		$259.5
Copra (Phil)	$290		$180
Soyabean (U.S.)	$165u		$165
GRAINS			
Barley Fut. Jan.	£112.50		£110.55
Maize	£144.25	+0.25	£146.50
Wheat Fut. Jan.	£111.15	—0.25	£109.40
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1548.5	—1	£1556.5
Coffee Ft. Jan.	£2285	+6.25	£2192.5
Cotton A Ind.*	50.95c	—0.15	50.05c
Gas Oil Dec.	$116	+5	$129.75
Rubber (kilo)	67.5p	+0.0	56p
Sugar (raw)	$141y	—1	$118.5
Wooltops 64s	418p kilo	+9	388p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. w Oct-Nov. v Dec. x Jan-Feb. z Dec-Jan. u Nov.

COFFEE

Finding support towards recent lows, the market made a recovery, reports Drexel Burnham Lambert. With trade buying and mixed short-covering, levels milled lots in the day in moderate volume. Sellers appeared reluctant to test recent lows and with the trade still awaiting fresh fundamentals the market remains in a highly volatile state.

COFFEE	Yesterday's close	+ or —	Business Done
Nov	2280-2290	+47.5	2280-2200
Jan	2280-2290	+52.5	2290-2190
Mar	2175-2186	+30.0	2185-2110
May	2175-2185	+27.5	2185-2115
July	2185-2200	+32.5	2185-2190
Sept	2190-2215	+40.0	2131
Nov	2150-2250	+30.0	—

Sales: 7,136 (6,540) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 29: Comp daily 1979 151.24 (163.35); 15-day average 160.72 (161.91).

COCOA

Futures opened unchanged, although due lower, and traded in a narrow range throughout an extremely dull day to close near the highs. The physical market reflected the lack of interest and both producers and consumers were withdrawn while only light second-hand activity was noted, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or —	Business Done
Dec	1015-1016	—1.0	1521-1511
March	1548-1549	—1.0	1552-1542
May	1571-1572	+5.0	1575-1568
July	1593-1594	+4.0	1596-1598
Sept.	1615-1617	+5.0	1617-1612
Dec.	1643-1644	+4.0	1646-1657
March	1667-1674	+4.5	1668

Sales: 1,720 (2,019) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for October 30: 92.31 (93.34); five-day average for October 31: 93.03 (93.31).

POTATOES

Quiet conditions continued to prevail on the market, with no fresh news to motivate traders. After a brief attempt to rise in early dealing, prices eased back through the day to close around the lows, wiping off most of the previous day's gains, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov	105.00	105.50	105.80
Feb	117.00	118.00	—
Apr	108.90	162.00	165.00-159.70
May	177.20	178.50	178.00-177.50
Nov	85.00	85.00	—

Sales: 528 (528) lots of 40 tonnes.

GRAINS

Old crops steadied after finding initial country hedge selling, but found fringe shipper resistance in response to a nil restitution tender. New crops again found support from shipper sources, report T. G. Roddick.

Mnth	WHEAT Yesterday's close	+ or —	BARLEY Yest'rdy's close	+ or —
Nov	107.95	+0.20	108.00	+0.25
Jan	111.15	+0.25	119.90	—
Mar	115.80	+0.25	114.55	+0.15
May	115.90	+0.20	111.53	+0.25
July	117.65	—	—	—
Sep	101.45	+0.15	101.45	+0.15
Nov	103.70	+0.05	103.80	+0.15

Business done — Wheat: Nov 108.00-107.50, Jan 111.15-110.65, March 115.80-115.40, May 115.80-115.50, July 117.65, Sept 101.40-101.30, Nov 103.70-103.65. Sales: 164 lots of 100 tonnes. Barley Nov 109.00-108.79, Jan 112.20, March 114.60-114.50, May 116.20, Sept and Nov untraded. Sales: 96 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring, No 1, 15 per cent: Nov 104.75, Dec 108.00. US No. 2 Soft Red Winter: Nov 110.50, Dec 112.00. French 11½-12 per cent: Oct 132.75. English feed, feb: Jan/March 116.50 paid East Coast, Nov 113.00, Dec 114.50 sellers, Jan/March 116.50/118.75 buyer/sellers, April/June 118.50 sellers East Coast. Maize: US No. 3 Yellow/French, transhipment East Coast: Oct 144.25. Barley: English feed, feb: Nov 112.00 paid East Coast, Nov 116.00, Dec 116.00, Jan/March 118.00 buyers.

NGCA—Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne). Feed barley: W. Mids 109.30, N. West 107.00. The UK monetary coefficient for the week beginning Monday November 3 will remain unchanged.

RUBBER

PHYSICALS — The London market opened unchanged, attracted little interest throughout the day and closed very quiet, reports Lewis and Peat. Closing prices (buyers): Spot 66.50p (67.00p); Dec 69.50 (66.00p); Jan (same). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 231.0 (same) and SMR 20 205.0 (same).

FUTURES—Index 671, Dec 672-682, Jan/March 682-692, June 682-702, July/Sept 694-706. Sales: Nil.

SUGAR

LONDON DAILY PRICE—Raw sugar $141.00 (£100.00), down $1.00 (down 50p) a tonne for Nov-Dec delivery. White sugar $161.00, up 50c.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Dec	140.0-145.0	158.0-158.8	140.0-158.8
Mar	155.0-155.4	151.6-151.8	155.0-149.8
May	158.8-157.0	154.4-155.8	158.0-153.6
Aug	160.6-160.8	158.8-158.6	162.0-158.0
Oct	165.0-165.4	165.2-165.8	165.0-158.0
Dec	167.2-179.8	159.8-167.8	167.2
Mar	177.0-180.8	175.0-177.8	—

Sales: 1,956 (2,883) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £203.00 (£203.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for October 29: Daily price 5.79 (5.81); 15-day average 5.58 (5.62).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Oct.	784/786	—	784/786
Jan.	746/746	750/740	757/740
April	792/795	795/790	787/789
July	701/703	703/695	704/706
Oct.	770/820	—	800/805
Jan.	795/833	—	800/819
Apr.	890/900	—	900/940
July	810/825	—	810/820
BFI.	788	—	786.5

Turnover: 213 (261).

	Close	High/Low	Prev.
Tankers			
Oct.	790/800	790	780/800
Nov.	915/950	930	900/940
Dec.	900/955	—	835/955
Mar.	950/963	—	935/960
June	940/970	—	955/962
BTI.	790	—	792

Turnover: 17 (5).

OIL

In a nervous market, December Brent traded at $13.32, rose quickly to $14 by early afternoon, fell back to $13.50 and again rose to talk at $14.00 at the close. December WTI opened 17c up on Nymex and traded 87c up by 1.30 pm EDT. In the petroleum products market gas oil and naphtha prices opened lower on news of Sheikh Yamani's departure but were then volatile over the day and closed higher. Gasoline slumped with buyers waiting for prices to bottom out—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Nov.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	19.00-19.30	+0.70
Brent Blend	15.60-15.80	+0.90
W.T.I. (1pm est)	14.55-14.75*	+0.770
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	159-144	—11.5
Gas Oil	110-112	+4
Heavy fuel oil	62-64	—1
Naphtha	116-118	+1

*December Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yest'rdy's close US $ per tonne	+ or —	Business Done
Nov.	113.00	+0.25	115.25-00.50
Dec.	116.00	+5.00	118.00-06.50
Jan.	121.00	+4.00	122.00-12.50
Feb.	126.50	+3.50	125.00-16.50
Mar.	120.00	+9.50	—
Apr.	118.00	+4.50	—

Turnover: 7,728 (3,652) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close US $ per tonne	+ or —	Business Done
Nov.	68.50	+4.50	—
Dec.	65.00	—2.00	65.00
Jan.	08.75	+2.50	—
Feb.	70.00	—	—

Turnover: 11 (37) lots of 100 tonnes.

LEADED GASOLINE

Month	Yest'rdy's close	+ or —	Business Done
Nov.	174.00	—	—
Dec.	—	—	—
Jan.	136.00	—	—
Feb.	—	—	—

Turnover: 0 (0) lots of 100 tonnes.

US MARKETS

HEATING OIL futures were locked in the limit-up position on news of Sheikh Yamani's dismissal as Saudi Arabia's oil minister, reports Heinold. Earlier bearish interpretations gave way to a more constructive view of Yamani's successor. Crude oil prices recovered also from early lows of $13.90 in the December position to $15 on the close. Coffee started the day with a further move to the downside but the advance came on short profit-taking after the December position bounced up from 167.50c with indications of roaster interest. Soyabean futures remained high, bolstered by slack country movement and forecasts of further rainfall for the weekend. Professionals were still the noted buyers amid the limited farmer selling for this stage of the harvest.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Nov	49.00	—	—	49.46
Dec	50.20	50.25	50.05	49.70
Jan	50.30	—	—	46.75
March	50.55	50.60	50.60	50.05
May	50.85	—	—	50.30
July	51.05	—	—	50.55
Sept	51.25	—	—	50.75
Dec	51.35	—	—	50.85
Jan	51.55	—	—	51.05
March	51.85	—	—	51.10

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1917	1948	1915	1947
March	1953	1977	1950	1977
May	1983	2006	1980	2005
July	2008	2025	2023	2023
Sept	2028	2035	2035	2041
Dec	2058	2063	2062	2073
March	2082	—	—	2097

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	172.07	173.60	167.50	170.00
March	169.32	169.00	163.75	166.01
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Nov	[illegible]			
Dec	[illegible]			
Jan	[illegible]			
March	[illegible]			
May	[illegible]			
July	[illegible]			
Sept	[illegible]			
Dec	[illegible]			
Jan	[illegible]			
March	[illegible]			

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	[illegible]			
March	[illegible]			
May	[illegible]			
July	[illegible]			
Dec	[illegible]			
March	[illegible]			
March	[illegible]			

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Dec	[illegible]			
Jan	[illegible]			
Feb	[illegible]			
March	[illegible]			
April	[illegible]			
May	[illegible]			
June	[illegible]			
July	[illegible]			
August	[illegible]			

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	[illegible]			
Dec	[illegible]			
Feb	[illegible]			
April	[illegible]			
June	[illegible]			
August	[illegible]			
Oct	[illegible]			
Dec	[illegible]			
Feb	[illegible]			
June	[illegible]			

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Nov	39.65	38.65	37.10	36.77
Dec	40.44	40.44	38.90	38.44
Jan	41.62	41.62	40.20	39.62
Feb	42.58	42.58	41.80	40.69
March	41.80	41.90	40.40	39.90
April	47.15	41.15	39.65	39.15
May	40.50	40.50	38.65	38.50
June	39.00	—	—	38.20
July	—	—	—	38.40
August	40.00	—	—	38.00

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	117.25	117.40	115.70	116.00
Jan	118.90	119.00	117.80	117.65
March	119.50	119.50	118.10	117.70
May	119.65	119.50	118.10	117.85
July	119.75	120.00	118.60	117.85
Sept	120.45	—	—	118.45
Nov	121.05	—	—	119.05
Jan	121.35	—	—	119.25

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	587.3	574.0	574.0	—
Dec	588.3	—	—	572.0
Jan	588.3	590.0	568.5	572.0
April	592.3	592.0	574.5	576.0
July	596.8	598.0	579.0	580.8
Jan	605.8	596.0	596.0	589.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Nov	569.6	—	—	560.6
Dec	572.0	574.5	562.0	563.0
Jan	574.0	—	—	565.5
March	580.1	583.0	571.0	571.2
May	585.6	589.0	577.0	576.7
July	591.3	592.0	581.0	582.5
Sept	597.3	590.0	590.0	588.7
Dec	605.8	609.0	600.0	598.0
Jan	609.9	—	—	601.4
March	916.4	613.5	610.0	608.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	8.40	0.40	0.36	5.35
March	0.84	6.86	0.66	6.74
May	6.99	0.99	6.82	0.89
July	7.12	7.10	6.99	7.05
Sept	7.22	—	—	7.16
Oct	7.37	7.37	7.23	7.25

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	59.82	59.95	59.40	59.65
Feb	56.95	57.05	50.55	56.92
April	67.40	57.55	57.05	57.27
June	57.00	57.10	56.80	57.05
August	55.87	55.95	55.65	56.05
Oct	54.60	55.00	54.60	54.80

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	53.10	53.50	52.75	53.57
Feb	50.40	50.95	50.25	50.97
April	45.82	46.22	45.55	45.22
June	48.17	48.40	47.75	48.42
July	47.65	47.90	47.55	47.95
August	46.30	46.30	46.05	46.32
Dec	42.67	42.00	42.70	43.00

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	[illegible]			
March	[illegible]			
May	[illegible]			
July	[illegible]			
Sept	[illegible]			
Dec	[illegible]			

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]			
March	[illegible]			
May	[illegible]			
July	[illegible]			
August	[illegible]			

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Nov	[illegible]			
Jan	[illegible]			
March	[illegible]			
May	[illegible]			
July	[illegible]			
August	[illegible]			
Sept	[illegible]			
Nov	[illegible]			

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	[illegible]			
Jan	[illegible]			
March	[illegible]			
May	[illegible]			
July	[illegible]			
August	[illegible]			
Sept	[illegible]			
Oct	[illegible]			
Dec	[illegible]			

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	[illegible]			
Jan	[illegible]			
March	[illegible]			
May	[illegible]			
July	[illegible]			
August	[illegible]			
Sept	[illegible]			
Oct	[illegible]			
Dec	[illegible]			
Jan	[illegible]			

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	290.8	291.4	282.4	283.0
March	275.4	276.0	269.4	270.2
May	259.0	260.0	256.8	256.0
July	245.0	246.2	243.0	242.4
Sept	247.0	—	—	246.0
Dec	253.0	—	—	251.9

SPOT PRICES—Chicago loose lard 13.00 (same) cents per pound. Handy and Harman silver bullion 560.5 (568.0) cents per troy ounce.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up on trade figures

THE DOLLAR reacted sharply to better than expected US trade figures yesterday, breaking through the important DM 2.05 level against the D-Mark. News of a $12.56bn deficit for September was generally less than most people had predicted and this combined with speculation over a cut in the Japanese discount rate to push the dollar to its best level for a month. Today sees a meeting of Japanese central bank officials which will take place after a day of rumours and reports that a cut of ½ per cent from 3½ per cent in the discount rate was imminent.

Trading in the morning had been quiet ahead of the trade figures with most people keeping to the sidelines. A statement later in the day by Mr Malcolm Baldrige, US Commerce Secretary, claiming that the US "had turned the corner" on foreign trade also helped sentiment. The dollar touched a best level of DM 2.0590 before closing at DM 2.0525 up from DM 2.0290 on Wednesday. Against the yen it rose to Y161.80 from Y160.45 and SFr 1.7020 from SFr 1.6745. Against the French franc it finished at FFr 6.7025 compared with FFr 6.6250. On Bank of England figures, the dollar's exchange rate index rose from 111.2 to 111.9.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3790. September average 1.4711. Exchange rate index closed at 67.7 up from an opening level of 67.4

Sterling finished weaker against the dollar but the latter's strength elsewhere helped sterling to show a small gain against most European currencies. The pound opened at the day's low as dealers reacted to news that Sheikh Ahmed Zaki Yamani, Saudi Arabia's Minister of Oil had been dismissed. This initially caused uncertainty about oil prices although sterling recovered a little as the market awaited further developments. Its recovery continued in the afternoon, pulled up by the strength of the dollar. However it finished below $1.40 for the first time since last February at $1.3980 against $1.4115 on Wednesday.

It was unchanged against the D-Mark at DM 2.8650 but rose to SFr 2.3780 from SFr 2.3625 and FFr 9.3550 compared with FFr 9.35. It was lower against the yen at Y225.75 from Y226.50.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9748. September average 2.0486. Exchange rate index 141.5 against 136.2 six months ago.

The D-Mark lost ground against the dollar in Frankfurt yesterday following the release of better than expected US trade figures. Conditions had been very nervous during the morning ahead of the announcement with the dollar underpinned to some extent by speculation that the Bank of Japan would cut its discount rate today. The dollar closed at DM 2.0475 up sharply from DM 2.0280 on Wednesday and Thursday's fixing of DM 2.0188.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. September average 154.67. Exchange rate index 207.8 against 202.1 six months ago.

Trading was rather confused in Tokyo yesterday following the release of reports that the Bank of Japan would cut its discount rate to 3 per cent today. The US dollar's rise on the news was short lived as dealers suspected that a cut in the US discount rate would follow. The dollar closed at Y159.90 down from Y160.05 in New York but up from Y159.35 on Wednesday. Trading conditions were complicated further ahead of the release of US trade figures and also next week's mid-term Congressional elections.

In Lagos the Nigeria Naira rose by 8.4 per cent at yesterday's auction. The $75m on offer was sold at a rate of 4.2026 naira to the dollar but the central bank intervened and increased the amount on offer to $88m which took the marginal rate to 3.8625. The rate for foreign exchange dealings over the next week was 3.8719 compared with 4.1965.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2697	+0.36	+0.62	±1.5368
Danish Krone	7.81701	7.85914	+0.28	+0.54	±1.6403
German D-Mark	2.11083	2.08842	−1.06	−1.09	±1.1127
French Franc	6.87316	6.80645	−0.97	−0.71	±1.3659
Dutch Guilder	2.37833	2.35360	−1.04	−0.78	±1.5059
Irish Punt	0.764976	0.765522	+0.07	+0.33	±1.6683
Italian Lira	1476.95	1440.34	−2.48	−2.05	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct 30	Latest	Previous Close
£ Spot	1.4010-1.4020	1.4120-1.4130
1 month	0.56-0.53 pm	0.56-0.53 pm
3 months	1.79-1.74 pm	1.81-1.78 pm
12 months	6.35-6.25 pm	6.40-6.30 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 30	Previous
8.30 am	67.4	67.9
9.00 am	67.4	67.8
10.00 am	67.5	67.8
11.00 am	67.4	67.8
Noon	67.4	67.8
1.00 pm	67.4	67.8
2.00 pm	67.6	67.8
3.00 pm	67.6	67.8
4.00 pm	67.7	67.8

POUND SPOT—FORWARD AGAINST THE POUND

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FINANCIAL FUTURES

News leads to confusion

FINANCIAL FUTURES markets were in some confusion yesterday, as traders considered the implications of a likely cut in the Japanese discount rate; the sacking of Sheikh Yamani as Saudi Arabian oil minister; and a smaller than expected US trade deficit in September. The quarterly refunding package announced by the US Treasury was in line with expectations, offering a total of $29bn, by way of $10bn 3-year notes on November 4; $9¾bn 10-year paper on November 5; and $9¼bn 30-year bonds on November 6.

The rumour of a Japanese discount rate cut and the news from Saudi Arabia pushed US Treasury bond futures up sharply at the opening of the London International Financial Futures Exchange. The move was led from Tokyo, and had a strong influence on trading in Singapore and also helped boost the first day of trading in Eurodollar futures in Sydney.

December US bonds opened at 98-28 on Liffe, and rose to a peak of 99-02, but fell to a low of 97-24 on the release of the US trade figures. These showed a deficit of $12.56bn in September, an improvement from the August shortfall, and compared with market expectations of around $14bn. But dealers commented that the market was much less moved by the figures than had been expected, and suggested that rumours about discount rate cuts involving Japan and possibly the US, prevented a greater fall. The contract closed at 99-03, compared with 98-10 previously.

By the end of the day traders were reassessing the sacking of Sheikh Yamani, and wondering if it might push up oil prices. News that Saudi Arabia had called for an emergency meeting of the Opec pricing committee came after Liffe closed.

On the Sydney Futures Exchange trading was more active than expected in the new three-month Eurodollar contract. It was also announced that from November 11 Sydney will begin trading at 6.30 am local time, providing a 30 minute overlap with Chicago. Speculation about a Japanese discount rate cut lifted volume to a record 15,000 contracts on the Singapore International Monetary Exchange, against a previous record of 9,230. Attention centred on Eurodollar futures, which traded a record 12,000, compared with an earlier peak of 7,470.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

U.S. TREASURY BILLS (IMM)

$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.94	95.00	94.93	94.84
March	94.94	94.99	94.93	94.85
June	94.82	94.88	94.82	94.70
Sept.	—	94.60	94.57	94.45
Dec.	94.24	94.26	94.24	94.10

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Dec.	243.90	225.25	243.00	240.70
March	244.80	245.80	243.70	241.55
June	245.60	246.60	245.50	242.45

CURRENCY FUTURES

MONEY MARKETS

London steady

INTEREST RATES remained steady in quiet trading on the London money market, in spite of some excitement at the sacking of Sheikh Yamani as Saudi Arabian oil minister, and expectations of an imminent cut in the Japanese discount rate, possibly to be followed by a similar move from the US Federal Reserve.

The general mood of uncertainty was compounded by better than expected US trade figures, and sterling's fall against the dollar, but recovery against the D-Mark.

UK clearing bank base lending rate 11 per cent since October 15

Three-month interbank rose slightly to 11 5/16-11 3/16 per cent from 11¼-11⅛ per cent.

The Bank of England initially forecast a money market surplus of £50m, but revised this to a flat credit position at noon, and to a shortage of £50m in the afternoon. The authorities did not operate in the market during the morning, and in the afternoon bought £70m bills outright, by way of £23m bank bills in band 2 at 10 15/16 per cent, and £47m bank bills in band 4 to 10 15/16 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £443m, with a rise in the note circulation absorbing £30m. These were roughly balanced by Exchequer transactions adding £515m to liquidity and bank balances above target by £30m.

In Frankfurt call money remained firm at 4.80 per cent, as commercial banks bid for funds to meet end of month minimum reserve requirements. Holdings at the Bundesbank averaged DM43.2bn for the first 28 days of the month, in line with the minimum requirement, but on October 28 reserves were only DM41.8bn, leaving banks to increase their holdings before the end of the month. The figure for October 29 was likely to be put under pressure by pension payments of around DM10bn.

The West German central bank has no plans to hold an extraordinary meeting of its policy making council, before the regular meeting scheduled for next Thursday. Speculation about a possible early meeting built up as it appeared increasingly likely the Bank of Japan would cut its discount rate from 3.5 per cent.

In Tokyo the Bank of Japan announced that an extraordinary meeting of its policy making committee will be held today to decide on a cut of ½ per cent to 3 per cent in the discount rate, the lowest level since the Second World War.

In Amsterdam the Dutch Central Bank accepted bids of Fl 2.8bn in special advances for the period between yesterday and November 6, to reduce money market tightness. The interest rate was set at 5.5 per cent, unchanged from the previous tender.

MONEY RATES

FT LONDON INTERBANK FIXING

LONDON MONEY RATES

Company Notice

GENSTAR CORPORATION

NOTICE OF REDEMPTION TO THE HOLDERS OF 17½% DEBENTURES DUE OCTOBER 15, 1989

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Trust Deed of Hypothec, Mortgage and Pledge and a Deed of Trust and Mortgage (the "Principal Trust Deed"), both bearing formal date of June 1, 1975, as supplemented by deeds supplemental thereto including, among others a supplemental Trust Deed bearing formal date of October 15, 1981 (all hereinafter collectively called the "Trust Deed") between Genstar Corporation (hereinafter called the "Company") and Montreal Trust Company (hereinafter called the "Trustee"), as Trustee, providing for the creation and issue of Debentures of the Company, THAT all of the outstanding 17½% Debentures due October 15, 1989 of the Company have been called for redemption by the Company on December 1, 1986 and will be redeemed by the Company on December 1, 1986 by payment, in lawful money of the United States of America, of the redemption price of one hundred and two per cent (102%) of the principal amount of such Debentures, together with all interest accrued and unpaid on the principal amount of the Debentures so redeemed from and including October 15, 1986, up to but excluding December 1, 1986, upon presentation and surrender of the said Debentures accompanied by all interest coupons appertaining thereto which mature after October 15, 1986, at any of the following places, namely: the principal office of The Royal Bank of Canada, 1055 West Georgia Street, Vancouver British Columbia, Canada, or of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, United States of America, or, at the option of the holder, at The Royal Bank of Canada, 6 Lothbury, London, England, or at Banque Generale du Luxembourg 14 rue Aldringen, Luxembourg, or at Morgan Guaranty Company of New York, Avenue des Arts 35, B-1040 Bruxelles, Belgium, or at Societe Generale, 29 boulevard Haussmann, 75009 Paris, France, or at Credit Suisse, Paradeplatz 8, 8021 Zurich, Switzerland. If such Debentures are presented for payment without all interest coupons appertaining thereto which mature after October 15, 1986, the amount of the missing unmatured coupons will be deducted from the redemption monies due for payment.

NOTICE IS ALSO HEREBY GIVEN that in accordance with the terms of the Trust Deed, all interest on the Debentures so called for redemption shall cease to accrue on and after the 1st day of December, 1986.

Dated at Vancouver, British Columbia, Canada, this 24th day of October 1986.

GENSTAR CORPORATION
Bryan W. Bennett
Assistant Treasurer

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, October 29, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London, ECU=$US1.02849 SDR1=$US1.20137

Eurodollar Libor as of October 29 at 11.00 a.m. 3 months: 6 1/16 6 months: 6 1/16

Sibor as of October 29, at 11.00 a.m. 3 months: 6 1/16 6 months: 6 1/16

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.415	Papua New Guinea	Kina	0.9732
Albania	Lek	7.1378	Greece	Drachma	137.50	Paraguay	Guarani (o.c.) (7)	320.00

For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
[illegible]	100¼	Exch. 13¼pc 1987	100⅜	+⅛	[illegible]	11.12
[illegible]	97⅞	Treas 10½pcCv '87	99⅞	+⅛	[illegible]	10.89
[illegible]	92⅞	Exch 2½pc 1987	98⅞	.....	[illegible]	7.47
[illegible]	97½	Exch. 10½pc 1987	99¾	+⅛	[illegible]	11.06
[illegible]	93⅝	Funding 6½pc 85-87	98⅜xd	.....	[illegible]	10.11
[illegible]	96⅞	Treas. 10pc 1987	99⅛	+⅛	[illegible]	11.10
[illegible]	90⅝	Treas 3pc 1987	96⅞	–⅛	[illegible]	8.29
[illegible]	99⅝	Treas. 12pc 1987	100⅞xd	+⅛	[illegible]	11.07
[illegible]	92⅞	Treas 7¾pc 1985-88‡‡	96⅝	–⅛	[illegible]	10.65
104	96¾	Exch 10½pc '88	99⅛xd	+⅛	[illegible]	11.16
[illegible]	95⅛	Treas 9¾pc Cv '88	97⅞	–⅛	[illegible]	11.29
[illegible]	86⅝	Transport 3pc '78-88	91⅞	.....	[illegible]	8.31
[illegible]	93⅞	Treas. 9½pc '88	97	–⅛	[illegible]	11.22
107⅛	98⅞	Treas 11½pc 1989	100½	.....	[illegible]	11.29
[illegible]	93⅝	Treas 9½pc Cnv 1989	96⅛	.....	[illegible]	11.22
[illegible]	82⅜	Treas 3pc 1989	87⅜xd	–⅛	[illegible]	8.51
[illegible]	95⅜	Treas 10½pc 1989	98⅛	+⅛	[illegible]	11.24
104	94⅝	Exch.10pc 1989	97	+⅛	[illegible]	11.27
107	97	Exch 11pc 1989	99⅛		[illegible]	11.27
[illegible]	84½	Treas 5pc 1986-89	88½	–⅛	[illegible]	9.55
[illegible]	94⅝	Exch 10¼pcCv '89	99⅝xd	.....	[illegible]	10.41
[illegible]	103⅛	Treas 13pc 1990‡‡	104½	.....	[illegible]	11.24
[illegible]	97⅝	Exch 11pc 1990‡‡	99⅛	.....	[illegible]	11.21
[illegible]	101⅞	Exch. 12½pc 1990	105⅛	.....	[illegible]	11.25
[illegible]	79⅝	Treas. 3pc 1990	83⅝xd	–⅛	[illegible]	8.58
100⅛	89⅝	Treas 8¼pc 1987-90‡‡	93	–⅛	[illegible]	10.61
106	93	Treas. 10pcCv 1990	96⅛		[illegible]	11.23
[illegible]	76½	Exch 2½pc 1990	80⅝xd	.....	[illegible]	8.29
[illegible]	99⅛	Treas 11¾pc 1991	101⅛		[illegible]	11.24
[illegible]	83⅛	Funding 5¾pc '87-91‡‡	87⅛		[illegible]	9.35
[illegible]	79⅛	Treas. 3pc 1991●	79⅝xd		[illegible]	8.60

AMERICANS—Cont.

1986 High	Low	Stock	Price £	+ or –	Div Gross
37⅝	28¼	Chemical New York	30⅝	+⅛	$2.60
35⅛	26⅞	Chesebrough-Pond's $1	32⅞	+⅛	$2.00
31¼	19⅞	Chrysler $6¼	26⅞	+⅛	$1.40
42¾	33⅝	Citicorp $4	36¼xd	+⅛	$2.46
12⅝	774p	CityFed Fin. Corp.	904pxd	–6	40c
28¼	21½	Colgate-P. $1	27⅞xd	–⅛	$1.36
850p	775p	Colt Inds. $1	7⅞	.....	$2.50
25½	16⅝	Cons. Freightways $0.625	24⅛	+⅛	82c
819p	399p	Cont'l Illinois Corp $1	426p	+2	—
89₂₀p	11⅞₂₀p	Cont Illinois Hldgs $1	26½₂₀p	+9	—
93p	39p	♦Corporate Data Scnce.	80p	–1	—
13¼	435p	Cullinet Sftwr $0.1	576p	–16	—
287p	34p	Damson Oil 40c	49p	.....	—
23⅛	17⅞	Dana Corp. $1	23¼	+½	$1.28
33⅝	18⅞	Data General	19⅞	–⅛	—
24⅛₂₀	8⅞₂₀	♦Derma-Lock Medical	13⅞₂₀	–⅛	—
79	55¼	Dun & Bradstreet $1	75⅞	–⅛	$2.56
54½	42¾	Eaton Corpn. 50c	51⅞xd	–2⅞	$1.60
25¼	18⅞	FPL Group $0.01	24⅞	+⅛	$2.04
13⅛	625p	Fairmont Fin.	12⅞	+⅛	—
23⅞	16⅞	First Chicago $5	21⅛	+⅛	$1.32
42⅛	25¼	Ford Motor $2	40⅞xd	+⅛	$2.60
28⅛	20	GATX 62½c	23	.....	$1.50
54⅞	47⅞	Gen. Elect. $1¼	53⅞	+2⅞	$2.32
16⅞	612p	♦General Host Corp $1	10⅞	+⅞	[illegible]
32⅞	24	Gillette $1	30¼xd	.....	[illegible]
15¼	10	Gt Am First Svgs Bk $1	12½xd	–⅛	[illegible]
31⅞	23⅞	Gt. Western Fin. $1	28¼	+⅛	[illegible]
25½	18½	Greyhound $1.50	23⅛	+⅛	[illegible]
20⅛	11½	Hasbro Inc $0.50	14⅞xd	–⅛	[illegible]
57⅛	42	Honeywell $1.50	50¼	+1⅛	[illegible]
28	22⅞	Hospital Corp Am $1	25⅞	–⅛	[illegible]

BUILDING, TIMBER, ROADS—Cont.

DRAPERY & STORES—Cont.

ELECTRICALS

Five to Fifteen Years

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FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
102	70	Metsec 10p	80	......	L2.46	2.6	4.3	12.4
78½	45	Mitchell Cotts	59¼	–1	1.5	◆	3.6	◆
124	81	Mole & Crane 10p	112	......	L2.7	2.9	3.4	13.7
323	210	Morgan Crucible	338	......	18.5	1.5	3.8	20.8
23½	15½	Morris (W) F.A. 20p	16½	–½	—	—	—	—
152	65	Myson Grp 10p	145	+5	†2.63	2.6	2.1	18.7
365	230	NMW Computers	240	–5	†6.0	3.0	3.5	13.8
96	27	Nash Inds	95	–1	†0.5	—	0.7	—
*27½	13½	Neil & Spencer 10p	14	......	—	—	—	—
39	28	Newman Inds 10p	35½	+½	†0.8	1.3	3.2	(27.1)
134	65	Noble & Lund 10p	104	......	0.7	4.3	0.9	34.2
65	39	Nolton	52	–2	†0.95	7.0	2.6	7.4
150	96	Norank Systems 5p	139	–1	m1.5	—	1.3	17.8
286	187	Norcros	230½	+1½	9.5	2.2	5.7	11.0
195	49	Nu-Swift 5p	188xd	–2	†3.5	2.3	2.6	25.3
£366½	£228	OCE 9pc Cnv 1987-92	£321½xd	......	Q9%	—	†2.8	—
118	80	Oakwood Grp	83	......	‡5.0	1.5	‡	11.5
250	185	Office & Elect	195xd	......	8.5	2.9	6.1	8.0
189	70	Oldacre 20p	180	+3	◆5.0	◆	4.0	◆
34	26	Ovontech 1p	30	......	—	—	—	—
36	18	Optometrics $0.01	20	+2	—	—	—	—
890	500	Oriflame £1	860	......	[illegible]	2.1	4.0	16.7
10	5	Ovenstone 12½c	7	+1	[illegible]	1.9	14.3	3.7
142	85	PCT Grp 10p	110	......	[illegible]	—	6.0	—
£20½	£13¼	PLM 'B' Sk 25	£19⅝	–¼	[illegible]	0.3	3.1	—
195	114	PSM Intl	191	......	[illegible]	2.1	4.1	14.3
235	160	Pacer Systems $0.01	188	......	[illegible]	3.4	1.4	20.9
70	50	Pacific Sales 10p	51	......	3.0	1.4	8.3	12.2
445	246	Parker Knoll 'A'	419	+8	12.0	3.2	4.0	11.0

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

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[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

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[illegible]

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PLANTATIONS

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MINES

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Eastern Rand

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Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
112	30	Anglo-Dominion	102	–2	—	—	—
42	19½	Anglo Utd Dev	23	–1	—	—	—
80	27	Colby Res Corp	31	+½	—	—	—
300	115	Cons. Murch. 10c	£1⅛	......	Q60c	4.4	11.9
34	24	Emess Int. Ir10p	25	......	—	—	—
144	70	Greenwich Res	142	+6	—	—	—
137	95	Hampton Areas 10p	148	......	†1.0	—	1.0
327	165	Highwood Res	243	+4	—	—	—
£20⅜	£13½	Homestake Mining $1	£18⅝xd	–⅛	Q20c	—	0.7
310	156	McFinley Red Lake	215	+1	—	—	—
285	144	Musto Explorations	212	+14	—	—	—
51	20	New Sabina Res C$1	40	+½	—	—	—
353	200	Northgate C$1	333	+2	—	—	—
790	513	[illegible]	665xd	+7	22.0	2.4	4.7
£164	£115	Do. 9½pcLn '95-2000	£140½xd	–½	Q9½%	15.5	6.9

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	60	......
Craig & Rose £1	£144¼	–¼
Finlay Pkg. 5p	47	–1
Holt (Jos) 25p	615	+5
IoM Stm. £1	75	......
IRISH		
Fund 11¼% 1988	£96¾	+¼
Nat. 9¾% 84/89	£90¾	......
Fin. 13% 97/02	£94⅛	......
Arnotts	260	......
CPI Hldgs	40	......
Carrol Inds.	111	......
Dublin Gas	38	......
Hall (R. & H.)	78	–1
Helton Hldgs.	29	......
Irish Ropes	112	......
Unidare	240	......

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

	Account Dealing Dates Option		
*First Dealings	Declara-tions	Last Dealings	Account Day
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1

*New time dealings may take place from 9.00 am two business days earlier.

Heavy trading in oil stocks spurs equities but Gilt-edged lose early gains

The UK securities markets, uncertain at first how to respond to the departure from the scene of Sheikh Yamani, had their minds made up for them by Wall Street, and surged higher yesterday afternoon. Heavy buying of oil shares was featured by turnover of 18m shares in **British Petroleum**, with Kleinwort Grieveson handling several big deals. Gilt-edged securities opened well, featured by a successful debut by the new £1bn Government stock, but shed their early gains as sterling weakened late in the day.

The FT-SE 100 index, barely three points up at midday, ended a net 18.8 higher on the day at 1615.8, while the FT Ordinary index gained 11.9 to 1279.1.

The stock market opened a touch easier but soon steadied as the bond market firmed up, and **Imperial Chemical Industries (ICI)** disclosed a sharp gain in quarterly earnings. But the market caught alight when Wall Street's early surge brought a strong upswing in the oils, with both British Petroleum and **Britoil** attracting buyers.

Outside the oils, the advance was less convincing. Gains in **ICI, Glaxo, BAT Industries** and **Beecham** were not large, especially when measured in terms of a weaker pound. Much of the trade in the leaders was between marketmakers.

There was, however, a significant improvement in **Trustee Savings Bank**, after turnover of 14m shares disclosed the long-awaited appearance of institutional buyers. At 82p, TSB gained 1½p.

Worries over the new market computer systems continued, and there were rumours of high-level meetings over serious difficulties in equity market settlements.

The Government bond market was very happy with the initial dealings in the new stock, which opened with a ½ premium on issue price, and moved to ⅜ premium. But with the pound at one time below $1.40, the gilt-edged market turned off before the close, leaving the newly-issued stock at ¼ premium on issue price. Long-dated issues ended with mixed changes of ⅛ or so on overnight levels. The FT Government securities index was 0.05 up at 82.39.

Sedgwick wanted

Well over 6m **Sedgwick** shares changed hands, including a single parcel of 1m, amid rumours of a possible bid from Citicorp and the close was 11 higher at 382p, after 384p. Other Lloyds Brokers also fared well with **Stewart Wrightson** notable for a gain of 18 at 486p. **Hogg Robinson** closed 7½ dearer at 365½p.

Investors showed renewed enthusiasm for the major clearers particularly **Midland**, which jumped 22 to 543p. **NatWest** added 15 at 513p, while **Barclays** firmed 7 at 486p and **Lloyds** hardened a couple of pence to 414p. Elsewhere, **Equity and General**, in which Mr Clive Mattock and associates hold a sizeable stake, improved a penny to 32p on speculative support.

Snooker table manufacturers **BCE** staged a successful debut in the Unlisted Securities Market; the shares, placed at 38p, opened at 42p and settled at 40p.

Breweries again proved to be one of the session's brighter sectors. Dealers reported persistent and often sizeable demand for leading counters ahead of the imminent dividend season. Sentiment was also aided by hopes of a lucrative trade in the run-up to Christmas. **Bass** were particularly buoyant and advanced 19 more to 737p, while suggestions of further buying by New Zealand entrepreneur Ron Brierley prompted renewed strength of **Scottish and Newcastle**, finally 8½ to the good at 216p. **Guinness** rose 9 more to 333p, as 2.7m shares changed hands. However, recent enthusiasm following an upward revision of profits by L. Messel was tempered by Savory Milln which reiterated its "sell" advice to clients. Business in Regional Breweries again centred on **Burtonwood** which spurted 67 more to 740p—the shares have risen 135 so far this week—in a market increasingly short of stock, reflecting substantial inquiry awaiting the result of the current property revaluation.

In the Building sector, **Redland** were boosted by satisfactory interim profits accompanied by a confident statement and moved ahead to close 17 higher at 383p. Strong buying in a market none-too-well supplied with stock lifted **RMC** 17 to 639p, while renewed demand too **BPB Industries** up 10 to 461p. **Marley** added a couple of pence to 117p, while **Tarmac** firmed 8 to 431p. **Blue Circle** were a relatively quiet market and closed a few pence dearer at 618p. Elsewhere, **George Wimpey** eased 4 to 181p as buying interest faded and **Barratt Developments** lost the same amount at 145p following profit-taking. **Bryant Holdings** firmed 2 to 108p on vague takeover rumours and **J. Smart** added 3 to 84p in reply to increased annual profits.

ICI firmed ¼ to £11⅛ following third-quarter profits near the top of market estimates.

Sears popular again

For the third consecutive session, rumours of a Gerald Ronson-led consortium bid for Sears were rife. Consequently, another large trade was transacted with 10m shares changing hands and the close was 2 higher at 134½p. **Storehouse** moved up 7 to 321p in belated response to Press comment, while **Burton** added 4 at 277p. **Harris Queensway**, on the other hand, dropped 6 to 195p following profit-taking in the wake of the interim results. **Next** gave up 4½ at 243½p after comment on the preliminary figures. Secondary Stores were featured by a fresh gain of 20 to 835p in **N. Brown** on further consideration of the recent link up with Marks and Spencer in a mail order venture.

British Telecom edged forward a fraction to 188p, after 189, following the Office of Telecommunications' approval of a round of price increases from the start of next month. **Cable and Wireless**, meanwhile, softened a couple of pence to 328p, after 323p, on worries that its Mercury subsidiary and sole competitor to Telecom's main network, is likely to announce retaliatory price cuts before the end of the week. **Racal** revived—nearly 7m shares changed hands—but the close was finally 4 down at 165p. **STC** reflected revived takeover hope with a rise of 3 at 154p and **International Signal and Control** put on 7½ more to 245p on further consideration of the $48m US contract. **Amstrad**, reflecting the 12½ per cent price increase on its family of IBM PC Compatible personal computers, advanced 5 at 122p, after 123p.

Interest in the Engineering leaders remained at a fairly low ebb, but activity broadened a little in **GKN**—3.8m shares were traded—which cosed a shade cheaper at 243p. Elsewhere, **Braithwaite** featured a rise of 17 at 170p following news that Extracharm Ltd and Charles Fitton have acquired a combined 20.08 per cent stake in the company. Extracharm is a wholly-owned subsidiary of Samuel Montagu (Holdings). Speculative interest revived in **Downibrae**, 8 better at 89, after 90, amid hopes of a bid from GM Firth. Takeover talk also accompanied a rise of 3 to 38p in **Thomas Locker**.

The Food leaders traded on a quieter note as takeover speculation died down and prices held close to overnight levels with one or two exceptions. Light profit-taking clipped 4 from **Unigate** at 321p and 6 from **Rowntree Mackintosh** at 400p. **Tesco** slipped 4 to 401p on further consideration of the interim results, but **William Low** continued to respond to the good annual figures and closed 8 up at 563p, a two-day rise of 20.

Grand Metropolitan made steady progress to close 9 higher on the day at 442p.

Henry Boot advance

Henry Boot featured a rise of 15 at 256p in response to the recovery in half-year profits. **Pearson**, in contrast, a strong market of late on speculation that Hutchison Whampoa had increased its stake, encountered profit-taking and closed 6 cheaper at 584p, after 580p. **British Aerospace** came to life with a rise of 12 at 456p. Late support left **Associated British Ports** up 20 at 304p, while others to record noteworthy rises included **Bowater**, 13 higher at 345p, and **Smiths Industries**, 17 to the good at 246p. Speculative buying prompted a gain of 8 to 86p in **British Syphon**. Among the miscellaneous industrial leaders, **Beecham**, helped by reports of a broker's lunch with the company, advanced 8 to 432p, while **Glaxo** continued to make progress at 954p, up 16.

Awaiting details, expected shortly, of the proposed management buy-out, **McCorquodale** raced up 17 to 280p while **Norton Opax**, which has a bid on the table, rose 7 to 143p. Robert Maxwell has increased his stake in McCorquodale to 14.5 per cent and is watching developments with interest. He said that it should not be assumed in the light of the latest news he would be assenting his holding to Norton Opax. Bid speculation took **DRG** up 14 more to 287p, while **Hunterprint** gained 18 to 309p.

A selectively firm Property Sector showed **London and Edinburgh** 20 higher at 660p and **Merivale Moore** 15 up at 225p. **Property and Reversionary** found support at 248p, up 8 and **Rosehaugh** moved up 10 to 810p. **Greycoat** were in demand at 242p, up 8 and **London and Provincial Shop** firmed 7 to 285p. **UK Land** gained 15 to 183p after acquisition news, but **Belgrave Holdings** slipped a couple of pence to 13¾p following the interim results.

The prospect of expansion following this month's appointment of Mr John Gunn to the role of chief executive continued to draw investors to **British and Commonwealth (B. and C.)** and the associated **Caledonia Investments**. B. and C. jumped 17 more to the best level for some months of 314p, while Caledonia rose 13 to 330p. **P & O** were also active and moved up 12 to 509p. Elsewhere, **Ocean Transport** firmed 3½ to 240½p after the forecast of higher profits and an increased dividend. In an accompanying statement the chairman says the IPE (UK) offer seriously undervalues Ocean Transport and thinks it likely that an increased offer would still not reflect the group's real value.

Still reflecting brokers Hoare Govett's upgrading, **Courtaulds** advanced 5¼ further to 301p, while **Manton Bros.** improved 2¼ to 18p on the return to profitability after the previous year's losses.

Oils active

Saudi Arabian developments and fluctuating crude oil prices made for an active trading session among the Oil majors. Marked down at the outset on news that Sheikh Yamani had been replaced as Saudi oil minister, the leaders rallied strongly on firming crude prices which sparked keen demand for US demand. Prices forged ahead to close with gains ranging to 22 as in **British Petroleum**, at 657p. **Shell** closed 18 higher at 898p, while **Britoil** touched 136p prior to closing a net 9 up at 134p. **Ultramar** firmed 4 to 151p. Elsewhere, **Caledonia Offshore** firmed 5 afresh to 125p on takeover hopes.

Overseas Traders were more subdued, although **RKA** picked up 7 further to 220p. **Harrisons and Crosfield** edged forward to 454p, but **Inchcape** slipped on sporadic profit-taking to close 5 lower at 482p.

South African Gold shares suffered their first reverse of the week. The recent weakness of bullion was undoubtably a factor, although the metal improved a shade yesterday to $406.25 an ounce.

Quotations were marked lower from the outset, mainly reflecting overnight indications from New York. Johannesburg operators were again selective buyers for choice, but the lack of concerted enthusiasm from other international trading centres left most issues around the day's lowest levels. The better-than-expected US trade figures and news that black workers at Gold Field's Kloof, Deelkraal and Doornfontein mines had complied with the South African National Union of Mineworkers' request to resume production had little apparent effect on sentiment.

Among top-quality Golds, **Vaal Reefs** fell 1½ points to £52¾, while **Western Deep** eased ⅜ to £24½. **Durban Deep**, 769p, and **Venterspost**, 507p, gave up 31 and 23 respectively. The FT Gold Mines index measured the trend with a decline of 5.3 to 280.6.

South African Financials mirrored Golds with **Anglo American Corporation** 15 cheaper at 930p, and **De Beers** Deferred a few pence down at 497p. London-domiciled issues, however, made modest progress, largely reflecting the firm showing by domestic equities. **Consolidated Gold Fields**, a depressed market of late in the absence of bid news, rallied to 636p, while buyers returned for **Greenwich Resources**, 4 up for a two-day improvement of 16 to 140p.

Wednesday's buoyant showing by Australian mines proved to be short-lived as both domestic and overseas investors took the opportunity to establish profits. With the exception of **Western Mining**, a couple of pence dearer at 214p, leading resource stocks displayed losses across the board. **Peko-Wallsend** fell 14 to 289p. Golds were also hit with losses of around 30 common to **Gold Mines of Kalgoorlie**, 813p, and **Central Norseman**, 653p. **Poseidon** fell 8 to 197p, while **Sons of Gwalia**, firm of late following the quarterly report, receded 22 to 336p.

Afro-West were marked 4 lower to 10p on consideration of the Sierra Leone Government's denial that it had signed an exclusive agreement with the company for the further development of the Koidu Kimberlite diamond project. **Southern Resources** hardened 2 to 74p; Elders Resources is providing financial backing for Southern to increase its interest in the Mount Pleasant gold venture from 30 per cent to 55 per cent.

Traded Options

The firm showing by London equities stimulated a lively demand for Traded Options. Total contracts transacted amounted to 30,128 with business well distributed throughout the list. The FT-SE 100 index contributed 1,583 calls and 2,005 puts. TSB remained to the fore with 2,517 calls and 653 puts struck, while operators also displayed sizeable interest in BP and Shell which attracted 1,145 and 1,195 calls respectively; Shell also attracted 1,460 puts. An active and evenly-balanced business developed in ICI with 1,180 calls and 1,019 puts done.

Traditional Options

- First dealings Oct 20 Nov 3 Nov 17
- Last dealings Oct 31 Nov 14 Nov 28
- Last declaration Jan 22 Feb 5 Feb 19
- For Settlement Feb 2 Feb 16 Mar 2

For rate indications see end of Unit Trust Service

Money was given for the call of Sears, Vickers, Davidson Pearce, Bristol Oil and Minerals, Equity and General, Aran Energy, Julia Mines, Racal, Sound Diffusion, Blenheim Exhibition, Asia Oil, St Modwen, Aquascutum, Peek, Dunton and Tricentrol. Puts were done in Amstrad, Dixons and Barton, but no doubles were reported.

FINANCIAL TIMES STOCK INDICES

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 24	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.39	82.34	82.94	82.37	82.53	83.98	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.83	88.87	88.86	88.76	88.81	89.64	97.68 [illegible]	86.55 [illegible]	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1,279.1	1,267.2	1,255.6	1,257.8	1,251.6	1,069.1	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	280.6	285.9	277.7	269.6	262.9	245.0	357.8 [illegible]	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.37	4.42	4.46	4.45	4.46	4.48				
Earnings Yld.% (full)	10.05	10.19	10.29	10.27	10.29	10.98				
P/E Ratio (net) (*)	12.20	12.03	11.92	11.93	11.90	11.25				
SEAQ Bargains (5.15pm)	26,509	23,522	26,519	25,570						
Equity Turnover	—	1043.95	623.60	585.81	735.68	578.32				
Equity Bargains	—	43,618	23,512	26,546	32,398	24,933				
Shares Traded (ml)	—	332.2	274.8	271.1	349.6	269.5				

S.E. ACTIVITY

Indices	Oct. 29	Oct. 28
Gilt Edged Bargains	112.2	81.29
Equity Bargains	282.6	153.3
Equity Value	2110.1	1260.5
5-Day Average		
Gilt Edged Bargains	99.6	100.3
Equity Bargains	208.4	191.9
Equity Value	1473.1	1300.1

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1267.8	1268.9	1268.1	1267.1	1267.1	1270.3	1278.1	1278.2

Day's High 1279.1. Day's Low 1267.1.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.71.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (127)

AMERICANS (2), CANADIANS (1), BANKS (1), BREWERS (5), BUILDINGS (3), CHEMICALS (4), STORES (6), ELECTRICALS (4), ENGINEERING (11), FOODS (3), INDUSTRIALS (17), INSURANCE (2), LEISURE (1), MOTORS (1), NEWSPAPERS (1), PAPER (3), PROPERTY (9), SHIPPING (3), SHOES (2), TEXTILES (1), TRUSTS (38), OILS (1), OVERSEAS TRADERS (1), MINES (1).

NEW LOWS (25)

CANADIANS (1), Great Pacific Resources, BREWERS (1) Invergordon Distillers, BUILDINGS (2) Aberdeen Construction, Henderson Group, STORES (2) Fields (Mrs), Ibs (Cecil), ELECTRICALS (4) Electrocomponents, Eurotherm International, Godwin Warren, Polytechnic Electrical, ENGINEERING (2) Stothert and Pitt, Tex Holdings, INDUSTRIALS (4) Airsprung, BBA Group, Hille Ergonom, Neil and Spencer, LEISURE (4) Applied Holdings, Lowmar, Marina Dev, Television Services, PAPER (2) Conrad Holdings, Flach and Company, JWT Group, TRUSTS (3) J. F. Pacific Warrants, SA, OILS (1) British Petroleum, BP [illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,700	165		ICI	5,800	£11	+¼
Allied Lyons	1,000	312	+1	Jaguar	741	525	+5
BAT	1,700	445	+2½	Ladbroke	555	361	+2
BOC	1,000	338½	+4	Land Securities	789	333	+3
BTR	1,300	289	+5	Legal & Gen.	1,700	[illegible]	[illegible]
Barclays Bank	712	489	+10	Lloyds Bank	384	414	+2
Bass	442	737	+19	Lonrho	747	235½	+1½
Beecham	1,900	432	+8	Marks & Spencer	1,800	194	+3
Blue Circle	190	615	+2½	Midland Bank	2,000	543	+22
Boots	3,100	227	+5	NatWest Bank	553	513	+15
Brit. Aero	827	456	+12	P & O	470	509	+12
Britoil	7,900	135½	+10½	Plessey	5,900	174	[illegible]
BP	18,000	659	+24	Prudential	552	773	+5
Brit. Telecom	4,100	187½		Racal	7,200	165	-4
Burmah	1,900	326	+2	Reckitt & Col.	269	[illegible]	[illegible]
Cable & Wireless	4,600	326	-2	Reuters	745	539½	+5½
Cadbury Schweppes	2,800	190	+2	RTZ	177	665	+7
Comm. Union	3,500	286	+3	Royal Insurance	374	853	+2
Cons. Gold	522	635	+5	STC	3,250	154	+3
Courtaulds	5,300	300½	+5	Sainsbury	364	390½	+2
Dixons Grp	287	347	+2	Sears	10,000	134½	+2
Fisons	179	574	[illegible]	Sedgwick	6,200	381	+10
Gen. Accident	561	851	+3	Shell Trans	5,500	899	+21
Gen. Elect	4,100	171	[illegible]	Sun Alliance	123	703	-5
Glaxo	919	954	+16	TSB	14,000	82	+1½
Grand Met	5,300	442	+9	Tesco	3,600	401	-4
GUS	276	973	+4	Thorn EMI	627	456	+4
Guardian R.E.	70	836	-6	Trafalgar Hse	649	278	-2½
GKN	3,800	243	[illegible]	Trusthouse Forte	4,200	163½	+2½
Guinness	2,700	333	+9	Unilever	161	£19⅛	+¼
Hanson Trust	5,300	196½	+1	Utd Biscuits	1,400	[illegible]	+1
Hawker Sidd	577	425	+6				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	35	27	33
Corporations, Dom. and Foreign Bonds	17	12	48
Industrials	480	360	681
Financial & Properties	248	76	253
Oils	35	27	50
Plantations	1	3	10
Mines	33	67	61
Others	103	48	60
Totals	972	628	1,189

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Thursday October 30 1986 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Weds Oct 29 Index No.	Tues Oct 28 Index No.	Mon Oct 27 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (211)	658.17	+0.9	9.21	3.88	13.81	15.51	652.59	645.09	643.50	556.05
2 Building Materials (27)	[illegible]									
3 Contracting, Construction (30)	[illegible]									
4 Electricals (12)	[illegible]									
5 Electronics (36)	[illegible]									
6 Mechanical Engineering (60)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (16)	[illegible]									
10 Other Industrial Materials (21)	[illegible]									
21 CONSUMER GROUP (185)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (24)	[illegible]									
26 Food Retailing (16)	[illegible]									
27 Health and Household Products (10)	[illegible]									
29 Leisure (27)	[illegible]									
31 Publishing & Printing (15)	[illegible]									
32 Packaging and Paper (14)	[illegible]									
34 Stores (38)	[illegible]									
35 Textiles (17)	[illegible]									
36 Tobaccos (2)	[illegible]									
40 OTHER GROUPS (87)	[illegible]									
41 Chemicals (20)	[illegible]									
42 Office Equipment (4)	[illegible]									
44 Shipping and Transport (13)	[illegible]									
45 Telephone Networks (2)	[illegible]									
46 Miscellaneous (48)	[illegible]									
49 INDUSTRIAL GROUP (483)	[illegible]									
51 Oil & Gas (17)	[illegible]									
59 500 SHARE INDEX (500)	872.97	+1.0	[illegible]							
61 FINANCIAL GROUP (118)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (9)	[illegible]									
68 Merchant Banks (12)	[illegible]									
69 Property (49)	[illegible]									
70 Other Financial (24)	[illegible]									
71 Investment Trusts (99)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (13)	[illegible]									
99 ALL-SHARE INDEX (732)	800.61	+1.0	[illegible]							

	Index No.	Day's Change	Day's High	Day's Low	Oct 29	Oct 28	Oct 27	Oct 24	Year ago
FT-SE 100 SHARE INDEX ♦	1615.8	+18.8	1617.2	1596.9	1597.8	1583.6	1586.2	1577.1	1384.8

FIXED INTEREST

PRICE INDICES	Thurs Oct 30	Day's change %	Weds Oct 29	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	118.86	+0.03	118.82	—	9.57
2 5-15 years	129.17	+0.07	129.08	—	11.61
3 Over 15 years	134.82	+0.10	134.69	—	11.43
4 Irredeemables	146.23	+0.43	145.60	—	13.34
5 All stocks	127.77	+0.07	127.68	—	11.01
Index-Linked					
6 5 years	113.13	-0.03	113.16	—	2.00
7 Over 5 years	110.23	-0.11	110.35	—	2.84
8 All stocks	110.66	-0.10	110.77	—	2.69
9 Debentures & Loans	111.20	+0.24	110.97	0.05	9.85
10 Preference	79.14	-0.42	79.48	—	5.41

AVERAGE GROSS REDEMPTION YIELDS

		Thurs Oct 30	Weds Oct 29	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.81	9.79	9.95
2	15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked				
11 Inflat'n rate 5%	5 yrs	4.36	[illegible]	[illegible]
12 Inflat'n rate 5%	Over 5 yrs	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10%	5 yrs	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10%	Over 5 yrs	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16	15 years	[illegible]	[illegible]	[illegible]
17	25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

♦Opening index 1596.9; 10 am 1601.1; 11 am 1599.6; Noon 1599.9; 1 pm 1600.2; 2 pm 1604.9; 3 pm 1614.7; 3.30 pm 1616.9; 4 pm 1614.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		CALLS Jan.	Apr.	July	PUTS Jan.	Apr.	July
Allied Lyons (*311)	280	43	53	60	3	5	10
	300	28	35	43	9	13	18
	330	12	18	28	25	28	35
	360	3	8	—	50	53	—
[illegible]							

October 30. Total Contracts 30,128. Calls 20,154. Puts 9,974. FT-SE Index Calls 1,583. Puts 2,005. *Underlying security price.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: [illegible]

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

NETHERLAND

GERMANY

ITALY

FRANCE

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices October 30

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices October 30

Total Sales 5,365,536 shares

NEW YORK

Indices

** Saturday October 25: Japan Nikkei 16,183.8. TSE 1,343.64.

Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. U Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES

Amstrad	121	+ 4
Ass. Brit. Ports	304	+20
Bass	737	+19
Boot (Henry)	265	+15
Bowater	345	+13
Braithwaite	170	+17
Brit. & Commonw.	330	+13
BP	659	+24
Britoil	135½	+10½
Burtonwood	740	+67
Caledonia Invs.	314	+17
DRG	288	+15
Downiebrae	89	+ 8
Glaxo	954	+16
Hunterprint	308	+23
ICI	£11	+ ⅜
McCorquodale	280	+17
Meyer Intl.	261½	+15
Midland Bank	543	+22
Norton Opax	143	+ 7
P & O Defd.	509	+12
Redland	393	+12
Scot & Newcas.	21[illegible]	
Sedgwick	38[illegible]	
Shell Transp	89[illegible]	
Smiths Inds.	24[illegible]	

FALLS

Afro-West	1[illegible]	
GM Kalgoorlie	61[illegible]	
Harris Queens	19[illegible]	
Henderson Gp	17[illegible]	

[illegible]ge 43

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div. Yld. P/E	Sls 100s High	Low	Close Quote	Ch'ge Prev. Close
72¼	48½	Xerox 3	55½	54¼	54⅞	−⅛	
58¼	34	Xerox pf5.45	57	56⅝	56¾	−⅛	
28¾	20½	XTRA .64	24⅝	39¼	24½	+⅞	
18¾	13½	Yorkin s	18½	18¼	18⅜	+¼	
39	27	ZaleCp1.40	u45¾	43	43⅝	+10⅝	
36	22½	Zale pfA	u35	36	36	+6	
9½	2⅜	Zapata .03	2½	2⅜	2½		
45⅞	20¾	Zayre s .32	26	25⅛	25⅛	−¼	
17	9¾	Zemex .40	11⅝	11⅛	11¼	−⅜	
29⅞	16¼	ZenithE	21⅛	21¼	21½	+¼	
18¼	0	ZenLb s	8¾	8½	8½	−¼	
22⅝	18¾	Zero s .2	15	14½	15	+¼	
45¾	32¾	Zurnln 1.32	39¼	35¾	36¾	−⅛	
10⅜	9⅞	Zweig n	10	9⅛	10		

Sales figures are unoffi[illegible]s and lows reflect the previous 52 weeks plus t[illegible]k, but not the latest trading day. Where a spli[illegible]end amounting to 23 per cent or more has bee[illegible]s high-low range and dividend are shown for th[illegible]y. Unless otherwise noted, rates of dividends [illegible]ursements based on the latest declaration.

a-dividend also extra(s[illegible] of dividend plus stock dividend. c-liquidati[illegible]called. d-new yearly low. e-dividend declared [illegible]ding 12 months. g-dividend in Canadian funds [illegible] non-residence tax. i-dividend declared after s[illegible]dividend. j-dividend paid this year, omitted, de[illegible]tion taken at latest dividend meeting. k-divide[illegible]id this year, an accumulative issue with divid[illegible] n-new issue in the past 52 weeks. The high-l[illegible]s with the start of trading. nd-next day delive[illegible]nings ratio. r-dividend declared or paid in pr[illegible]s, plus stock dividend. s-stock split. Divide[illegible]ate of split. sls – sales. t-dividend paid in st[illegible] 12 months, estimated cash value on ex-distribution date. u-new yearly high. v-trading [illegible]uptcy or receivership or being reorganised [illegible]tcy Act, or securities assumed by such co[illegible]tributed. wi-when issued. ww-with warrants. x[illegible]-rights. xdis-ex-distribution. xw-without war[illegible]nd and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Change
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Economic data fuel sharp rise

FUELLED by bullish economic news and more takeover talk, stock and bond prices soared on Wall Street yesterday in heavy trading, *writes Roderick Oram in New York.*

The strong bond market rally which had begun on Wednesday afternoon continued yesterday on a lower-than-expected US trade figure, a rising dollar and the growing conviction that the Japanese will cut their discount rate. Part of the rise in bond prices was given up in early afternoon, however.

The Dow Jones industrial average closed up 26.57 points at 1,876.37. The New York Stock Exchange Composite Index gained 1.46 points to 140.26. Volume surged to 195.9m, the best level since March 21 excluding record days of around 240m set September 11 and 12 during the market's precipitous correction. Advancing shares outpaced declining by a ratio of two-to-one.

Among blue chips, American Express rose $1⅛ to 58⅞, AT & T gained $⅝ to 24⅞, IBM advanced $1 to $121⅞, General Motors gained $1⅞ to $71⅞ and Philip Morris rose $⅞ to $74⅞.

On the takeover front, Goodyear Tire rose a further $⅝ to $49¼ on 5.1m shares, making it the most active issue. A bid from a consortium led by Sir James Goldsmith and including Hanson of the UK was imminent, sources close to the deal confirmed yesterday.

Mr Irwin Jacobs, the Minneapolis-based corporate raider announced a 6 per cent stake in Borg Warner, which fell $⅝ to $38⅝, and MEI Diversified, a West Coast candy and snack foods group which rose $⅝ to $9⅝. Borg Warner, an industrial group, has been the subject of takeover speculation with GAF, down $1¼ to $38⅜, rumoured to be buying shares.

Transworld, the Hilton hotel group, rose $⅝ to $41⅝. Mr Ronald Perleman, a New York financier who controls the Revlon cosmetics group, said he was considering seeking control. Late last week he declared a 15 per cent stake in Transworld.

USX rose $⅛ to $25⅝ amid signs that the company will not rush into a corporate restructuring demanded by Mr Carl Icahn who has made a $31 a share offer for the company.

Zale, the retail jewellery group soared $10⅛ to $43⅝ after Peoples Jewellers of Toronto said it was launching a $50 a share bid in partnership with other investors.

Intense speculation about takeovers in the securities industry spread to Morgan Stanley yesterday. It declined to comment on the $6⅛ jump in its share price to $76⅞. E. F. Hutton, long rumoured to be courted by American Express's Shearson Lehman brokerage unit, fell $2 to $50.

Lucky Stores fell $⅝ to $33⅝ after Mr Asher Edelman, a New York investor, dropped his $37 a share bid following the company's announcement that it was buying back up to 40 per cent of its shares at $40 a share.

Credit markets saw heavy bond buying from retail investors who felt they had missed the market's sudden turn Wednesday afternoon in the US and yesterday morning in the Far East and Europe.

Markets had to contend with a lot of conflicting information yesterday. On the positive side, the US trade deficit in September of $13.32bn was smaller than expected, the probability of a discount rate cut in Japan increased the likelihood of strong Japanese demand for bonds at next week's Treasury funding and the dollar was stronger.

On the negative side, oil prices rose in the wake of Sheikh Yamani's dismissal as Saudi Arabia's Oil Minister and August's trade deficit was revised sharply upwards.

The markets responded from the opening in New York with a sharp rise in bond prices by up to 1⅝ points. But prices fell back during the morning and the 7.25 per cent benchmark Treasury bond due 2016 ended the day up 1⅛ of a point at 95 21/32 yielding 7.60 per cent.

Three-month Treasury bills eased 2 basis points to 5.17 per cent, six-month bills fell 6 basis points to 5.22 per cent and year bills fell 7 basis points to 5.36 per cent.

The Federal Reserve entered the market to make $1.5bn of customer repurchases when the Fed funds rate stood at 5 13/16 per cent.

Markets turn their attention today to the September figure for the leading economic indicators. A small rise from August of about 0.2 to 0.3 per cent is expected after a decline of 0.2 per cent in August over July. This further sign of a pick-up in the rate of US economic growth further diminished the need and hopes for a cut in the US discount rate in the wake of the expected Japanese cut.

LONDON

HEAVY TRADING in oils, prompted by the replacement of Sheikh Yamani, spurred equities in London yesterday and the FT Ordinary index gained 11.9 to 1,279.1. The more broadly-based FT-SE 100 ended a net 18.8 higher at 1,615.8.

Gilts opened well, featured by the new £1bn Government stock, but shed their early gains as sterling weakened during the day.

Worries over the new market computer systems continued and there were rumours of high-level meetings over serious difficulties in equity market settlements.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38, 39.

HONG KONG

HEAVY profit-taking by local and overseas fund managers sent Hong Kong sharply lower and the Hang Seng index lost 32.43 to 2,312.81. Analysts said the index was forming a double-top, indicating that a further retreat was expected.

Hutchison Whampoa fell HK$1.75 to HK$42.25, Cheung Kong HK$1.50 to HK$31.50, Jardine Matheson 50 cents to HK$19.80.

Swire Pacific A was 3 cents down at HK$17.20 and HK Land eased 10 cents to HK$6.15.

AUSTRALIA

SCATTERED SUPPORT for blue chip industrials failed to prevent Sydney closing mixed but generally weaker in a decline led by golds. The All Ordinaries index closed 9.5 lower at 1,364.8.

A US$6.50 fall in gold prices overnight prompted widespread selling when the market opened and this was compounded by gold prices continuing to ease during the day.

Banks were mixed in a narrow range and oils and gas were lower.

SINGAPORE

STRONG SELLING pressure developed in late Singapore trading that took 3.50 points off the Straits Times industrial index at 920.71.

Public Bank, most active with 2.4m shares traded, slipped 2 cents to S$1.44 while Selangor Properties, second most active, was unchanged at S$1.32. Multi-purpose, also busy, added 4 cents to 57½ cents.

Among blue chips, DBS retreated 10 cents to S$9.55, OCBC dipped 5 cents to S$9.10 and Singapore Press tumbled 25 cents to S$8.35.

CANADA

INDUSTRIALS, mines and utilities staged a solid advance in Toronto more than offsetting weakness in the gold and energy sectors.

Northern Telecom was actively traded C$1⅛ higher to C$44⅞ while Bank of Nova Scotia, also busy, was unchanged at C$18⅛. Canadian Pacific slipped C$¼ to C$15¼.

In Montreal, banks made progress while industrials and utilities slipped.

SOUTH AFRICA

THE FINANCIAL RAND'S retreat from recent highs prompted a slight rally in Johannesburg among golds but they still ended mostly easier due to the weaker bullion price. Industrials were mixed, with a firmer bias.

Mining financials closed mixed while in diamonds De Beers put on 50 cents to R34.75.

TOKYO

Discount [illegible]ut hopes bri[illegible]g record ga[illegible]s

REPORTS that the Bank [illegible] Japan would probably cut its official [illegible]scount rate by ½ percentage point to a[illegible]ll-time low of 3 per cent boosted buyin[illegible]harply in Tokyo yesterday and sent t[illegible] Nikkei average up by a record one-day [illegible]rease, *writes Shigeo Nishiwaki of Ji[illegible]ss.*

Central bank officials said [illegible]r the market closed that it would c[illegible]e rate to 3 per cent tomorrow. Th[illegible]erage rose by 505.57 points to [illegible]se at 17,010.95, exceeding 17,000 fo[illegible] first time since October 14.

The previous biggest single-[illegible]rise of 488.72 was registered on O[illegible]. 23. Gainers led losers 591 to 226, [illegible] 120 issues unchanged, on a volum[illegible] 615m shares against Wednesday's [illegible]

But market analysts said [illegible]r buyers were large brokerage ho[illegible]ealers, individual investors and s[illegible] investment trusts, while instituti[illegible] investors continued to stay away.

Some market sources sug[illegible] that institutional investors, whic[illegible] suffered a huge evaluation loss i[illegible] recent decline, may unload some o[illegible] large holdings acquired between J[illegible] and August if prices go on rising.

Many brokerage houses [illegible]waiting to see how institutional inv[illegible] would react to the discount rate an[illegible]ement and how overseas oil and f[illegible]al markets would take the news o[illegible] replacement of Sheikh Yamani, [illegible]di Oil Minister.

Tokyo Gas headed the m[illegible]ive list with 47.71m shares and ju[illegible] Y79 to Y889. Nippon Kokan, [illegible] with 45.20m shares, added Y21[illegible]30 and Ishikawajima-Harima H[illegible] Industries, third with 28.47m, [illegible] Y37 to Y457. Tokyo Electric Powe[illegible]er busy issue, regained the Y7,0[illegible], rising Y560 to Y7,450.

Other large-capital stock[illegible] gained, with Mitsubishi Heavy In[illegible]es closing Y28 up at Y461 and K[illegible]i Steel Y12 higher at Y196.

The December bond fu[illegible]ontract surged by the daily li[illegible] Y1 to Y103.49, pushing up bond[illegible] on the cash market. The bench[illegible]6.2 per cent government bond [illegible] in July 1995 had been under selling pressure since late last week due to its relatively high price. But its yield again slipped below 5 per cent yesterday, closing at 4.970 per cent against Wednesday's 5.305 per cent.

Expectations of a discount rate cut had been disappointed several times since August, so securities houses and other dealers have recently drawn down their bond inventories sharply. Therefore, the surprise decision to cut the rate injected unexpected strength into the market, analysts said.

EUROPE

Japanese rate moves inject life

THE JAPANESE intention to move on rates breathed fresh life into European bourse trading yesterday on the hopes that US and continental interest rates would fall shortly.

Paris jumped in active trading that took the main market indicator up 1.5 per cent. Wall Street's overnight performance and a bullish report on the prospects of the French economy also underpinned the rally.

Oils were uneasy after the departure of the Saudi Oil Minister Sheikh Yamani, but the drop in spot oil prices prompted other sectors to advance.

Elf Aquitaine finished the session unchanged at FFr 310 while among foreign oil groups traded Royal Dutch lost FFr 5 at FFr 581, Norsk Hydro dropped FFr 4.30 to FFr 121.70 and Petrofina picked up FFr 2 to FFr 1,440.

Banks and electronics were particularly active and firm. Comptoir des Entrepreneurs jumped 11 per cent to FFr 199 while CIT-Alcatel gained FFr 18 to FFr 1,930.

Avions Dassault continued to gain ground after the confirmation of Mr Serge Dassault, son of the late founder Mr Marcel Dassault, as chairman. The aerospace group closed FFr 16 higher at FFr 1,181.

Milan moved higher on firm insurers and select industrials. Generali rose L2,400 to L133,150 while Toro closed L1,450 higher at L34,500.

Montedision at L2,840 was L39 up while Fiat, which revealed that it was in talis talks over a joint car-making venture in Algeria, jumped L104 to L15,405 and touched L15,550 in after bourse dealing.

Frankfurt staged a moderate rally largely on foreign demand. The Commerzbank index continued to oscillate within a narrow band with a fresh 15.8 point rise to 1,953.5. The impetus of the rally, as elsewhere on the continent were the Japanese rate reports. Analysts, however, do not expect the Bundesbank to follow suit.

Deutsche Bank led the banking sector higher with its DM 27 gain to DM 777.50 and Commerzbank added FFr DM 11 to DM 305.

Chemicals found comfort in the prospects of lower oil prices. Bayer closed DM 10 higher at DM 299.

The bond market surged in hectic trading that pushed prices up by almost 1½ full points. The Japanese shift to lower rates fuelled the rally. Market balancing operations of the Bundesbank amounted to sales of DM 186.5m of paper compared with Wednesday is purchases of DM 51.5m. The average yield on public authority paper dropped 7 basis points to 6.05 per cent.

Amsterdam, Brussels, Madrid and **Zurich** gained ground in active trading.

STOCKHOLM hit an all-time high after the agreement by public sector unions to end their month-long strike, *writes Sara Webb in Stockholm.*

The likely shift to lower international interest rates also helped fuel the rally that took the stock exchange index up 1.5 per cent on the day to 155.6 and up 55.8 per cent since the beginning of the year. Forestry, construction and retail stocks spearheaded the advance.

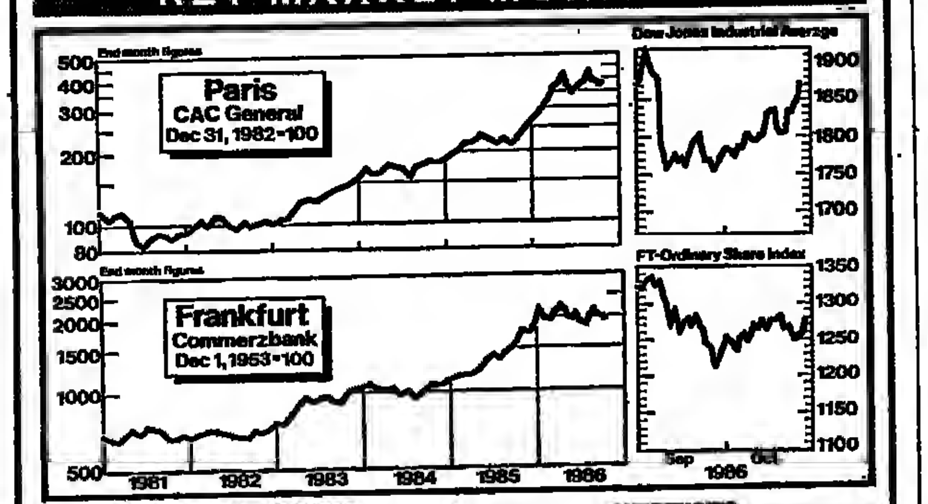
Swedish Match posted one of the best gains – up SKr 12 to SKr 452 – while Electrolux jumped SKr 11 to SKr 333, compared with the SKr 300 level of two weeks ago.

Ericsson moved against the trend with a SKr 1 decline to SKr 250 amid gloom over its forthcoming results while Saab Scania suffered a SKr decline to SKr 705.

Fermenta gained SKr 4 to SKr 134 on its strong results for the first eight months and ahead of details of its restructuring.

The session also saw the announcement of the new Swedish Options and Futures Exchange which will open on the bourse next year. Daily turnover in share index options and futures is hoped to exceed SKr 600m, double the current bourse turnover.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Oct 30	Previous	Year ago
DJ Industrials	1,876.37	1,851.80	1,375.57
DJ Transport	835.88	839.08	658.82
DJ Utilities	208.72	206.99	161.16
S&P Composite	243.71	240.94	190.07
LONDON	Oct 30	Previous	Year ago
FT Ord	1,279.1	1,267.2	1,069.1
FT-SE 100	1,615.8	1,597.0	1,373.8
FT-A All-share	792.72	792.72	678.20
FT-A 500	864.21	864.21	741.84
FT Gold mines	280.6	285.9	245.0
FT-A Long gilt	10.52	10.53	10.33
TOKYO			
Nikkei	17,010.95	16,505.38	12,908.7
Tokyo SE	1,421.92	1,375.47	1,023.34
AUSTRALIA			
All Ord.	1,365.0	1,374.4	1,028.9
Metals & Mins.	698.2	710.8	515.1
AUSTRIA			
Credit Aktien	227.17	227.45	196.65
BELGIUM			
Belgian SE	3,857.62	3,848.74	2,816.02
CANADA	Oct 30		
Toronto Metals & Minls	2,097.4	2,093.4	1,763.0
Composite	3,026.6	3,011.8	2,689.3
Montreal Portfolio	537.72	529.48	128.45
DENMARK			
SE	196.27	196.32	233.31
FRANCE			
CAC Gen	382.70	378.4	219.4
Ind. Tendance	146.40	144.4	79.9
WEST GERMANY			
FAZ-Aktien	653.59	646.45	591.28
Commerzbank	1,953.50	1,937.70	1,793.2
HONG KONG			
Hang Seng	2,312.81	2,345.24	1,654.68
ITALY			
Banca Comm.	758.37	749.68	412.83
NETHERLANDS			
ANP-CBS Gen	270.50	267.60	225.6
ANP-CBS Ind	270.90	268.70	204.3
NORWAY			
Oslo SE	367.97	368.19	392.51
SINGAPORE			
Straits Times	920.71	924.21	765.07
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,809.00	1,115.8
JSE Industrials	—	1,381.00	942.2
SPAIN			
Madrid SE	181.67	181.94	91.36
SWEDEN			
J & P	2,574.34	2,538.81	1,434.30
SWITZERLAND			
Swiss Bank Ind	571.00	565.10	508.1
WORLD	Oct 29	Previous	Year ago
MS Capital Int'l	334.2	333.0	232.6

COMMODITIES

(London)	Oct 30	Prev
Silver (spot fixing)	397.05p	395.40p
Copper (cash)	£926.50	£915.50
Coffee (Nov)	£2,285.00	£2,227.50
Oil (Brent blend)	$13.70	$12.80

GOLD (per ounce)

	Oct 30	Prev
London	$406.50	$405.25
Zürich	$405.25	$406.35
Paris (fixing)	$403.41	$405.94
Luxembourg	$403.25	$406.25
New York (Dec)	$409.90	$407.30

CURRENCIES

(London)	US DOLLAR Oct 30	US DOLLAR Previous	STERLING Oct 30	STERLING Previous
$	—	—	1.3960	1.4115
DM	2.0525	2.0290	2.865	2.865
Yen	161.80	160.45	225.75	226.50
FFr	6.7025	6.625	9.355	9.35
SFr	1.7020	1.6745	2.375	2.36
Guilder	2.3160	2.2935	3.235	3.24
Lira	1,418.00	1,405.50	1,979.50	1,978.00
BFr	42.65	42.15	59.50	59.50
C$	1.38885	1.3885	1.9415	1.9600

INTEREST RATES

Euro-currencies (3-month offered rate)	Oct 30	Prev
£	11 9/16	11¼
SFr	3 13/16	4 1/16
DM	4⅝	4 11/16
FFr	7⅞	7⅞
FT London Interbank fixing (offered rate)		
3-month US$	5⅞	8 1/16
6-month US$	5⅞	8 1/16
US Fed Funds	5 13/16*	5 13/16
US 3-month CDs	5.50*	5.925
US 3-month T-bills	5.16*	5.34

US BONDS

Treasury		October 30* Price	October 30* Yield	Prev Price	Prev Yield
6⅝	1988	100 5/32	6.223	100 5/32	6.30
7⅛	1993	100 5/32	7.09	99 30/32	7.25
7⅜	1996	100 11/32	7.31	99 22/32	7.402
7¼	2016	95 21/32	7.621	94 22/32	7.799

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Return index	Oct 30* Day's change	Yield	Day's change
1–30	158.14	+0.83	6.95	−0.10
1–10	150.81	+0.46	6.63	−0.09
1– 3	141.22	+0.20	6.21	−0.08
3– 5	153.62	+0.45	6.78	−0.09
15–30	184.50	+2.14	8.03	−0.12

Source: Merrill Lynch

Corporate	October 30* Price	October 30* Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	92.343	6.25	92.125	8.30
SCBT South Central 10⅞ Jan 1993	107.375	9.316	107.125	9.367
Phibro-Sal 8 April 1996	98.50	8.230	98.25	8.269
TRW 8⅞ March 1996	102.125	8.394	102.00	8.433
Arco 9⅞ March 2016	106.00	9.274	105.25	9.346
General Motors 8⅝ April 2016	90.00	9.106	89.50	9.0625
Citicorp 9⅝ March 2016	97.50	9.629	97.00	9.682

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	98-01	98-22	97-27	97-04
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.90	95.00	94.89	94.84
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94.18	94.21	94.15	94.03
20-year Notional Gilt £50,000 32nds of 100%				
Dec	109-11	110-04	109-09	109-14

* Latest available figures